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Ideas on Liberty

JANUARY 1981

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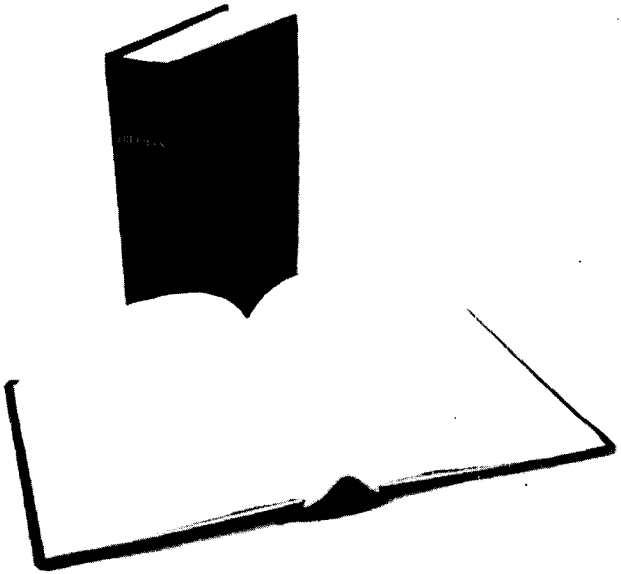

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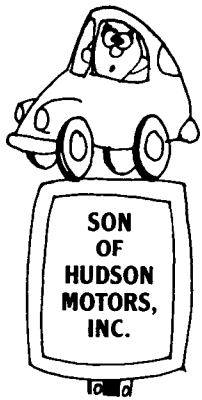
Gary North



BUY AMERICAN!

EVERY once in a while, I see a car bearing a bumper sticker, "Buy American." From what I gather, it is a popular sticker in Michigan, especially in cities like Detroit and Pontiac. Whenever there is an economic recession, and the sales of American automobiles begin to slide, we can count on a television report on the ailing auto industry, complete with interviews with unemployed auto workers, who have "Buy American" stickers on their cars and even on their homes' front doors.

"Americans have to pull together," we are told. "They ought to help each other. If they don't stop buying those foreign imports, they're going to kill the U.S. economy." In other words, "What's good for General Motors is good for America."

But Americans have this distressing tendency—one shared by buyers in every nation in the world—to buy what they regard as bargains, irrespective of "Made in U.S.A." stickers. When Americans "buy American," they have in mind something very specific: "Buying what *this* American chooses to buy." They are only slightly concerned with buying what another American chooses to manufacture.

Does this indicate a lack of patriotism? Did all those people who bought Volkswagens in the 1950s deal the national interest a body blow? After all, they could have bought De Sotos, or Studebakers, or Packards. Why, they could even have bought Hudsons. But they didn't.

Are we willing to modify ex-GM President Charles Wilson's famous

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phrase? Are we willing to declare, retroactively, that "What's good for Hudson is good for America"? Would anyone buy *that* bumper sticker?

For over two decades, foreign auto manufacturers sold products that saved on gasoline. Americans in the 1950s didn't pay much attention to them. The gas-guzzler was a national institution, a 75-miles-per-hour, 15-miles-per-gallon temple to the promise of unlimited growth and 5 per cent GNP increases, compounded annually, forever. Now some people argue that the gas-guzzler is innately evil, a destroyer of energy supplies. But Americans don't need stern lectures from Volvo-driving sociology professors to teach them about the evils of the gas-guzzler. They get this lesson clearly enough every time they drive up to a gas pump.

Consumers Change Their Minds

What wiped out Detroit's profits overnight was an overnight shift in car-buying preferences on the part of American consumers. The presence of foreign imports allowed them to exercise their preferences. The buyers had been unable to make up their minds about whether to give up the long-preferred gas-guzzler. The gasoline lines and high prices of 1979 convinced them. They didn't need federally mandated mileage standards; they didn't need editorials in the *Washington Post* about the necessity of national conservation (by means of federally financed rapid transit systems); all they needed was a quick look at their monthly charges from their oil companies.

So they changed their minds, almost overnight. This is what freedom is all about. Foreign auto manufacturers were there to sell the products people now demanded. Americans had a choice. In fact, they had several choices. First, keep the gas-guzzler, or buy another one, and wind up subsidizing OPEC. Second, buy a foreign import, thereby profiting Japanese or German companies, but reducing the subsidies to OPEC. Third, get on a waiting list for an American small car, few of which were available. Fourth, drive less and ride on the municipal bus line. (Choice number four is hypothetical, which I added only to make my model elegant. I believe that hardly anyone not employed by a university or a newspaper took the fourth choice very seriously.)

Millions of Americans decided to start sending dollars to Japan in order to cease sending them to OPEC nations, by way of Texaco, Exxon, and so forth (minus 20 per cent for handling). They made that choice because they calculated that they would serve their own self-interest better by reallocating their budgets away from Detroit and Saudi Arabia, and toward Japan or Germany, keeping whatever money that was

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left over to spend on something else. That, basically, is "the American way." Americans want extra money left for something else. That is also the Japanese way, the German way, the Swedish way, and the Lower Slobbovian way. Consumers want money left over after they have made any given purchase.

Twisting their Arms

It would appear that several automobile brands are threatened with the fate of Hudson. I will be a gentleman, and refrain from mentioning any names. I will simply lump them all under the category, "Son of Hudson."

Workers and management at Son of Hudson Motors are concerned. They find their share of the market declining, their unit costs of production rising, and their pension hopes fading. They look for an answer. The main reason is that the public is buying fewer cars, or different brands of cars. But everyone knows that Americans always buy a new car every three years, or 60,000 miles, whichever comes first. (This practice, by the way, constitutes the single-most important form of voluntary wealth redistribution in American life, given the life expectancy of a car at 110,000 miles, and the depreciation well over 60 per cent after the third year.)

What is the obvious way to revive the sagging fortunes of Son of Hudson Motors? Twisting some arms. Of course, no one connected with the company would think of actually going down to the local Toyota agency and twisting the arms of potential buyers. Those kinds of tactics are reserved for non-union auto workers, and the union has a limited number of professionals in this highly specialized field. Besides, management would regard this as unsporting (at least in the early stages of the recession). No, there is a better way, a more cost-effective way, a more traditional way. Manufacturers call it "the American way." Get the government to restrict sales of imports.

"Get your hands on a Toyota, and you'll never let go!" The employees at Son of Hudson Motors apparently believe in this catchy jingle. What needs to be done, therefore, is to make sure that fewer American consumers get an opportunity to get their hands on a Toyota. So they get a cost-effective, historically acceptable squad of goons to go out there and twist a few arms. But nobody calls it a goon squad. They call it Congress.

Picture this scene. Joe Lunchbucket goes down to his friendly Toyota agency to check out the new models. As he goes up to look at the price sticker on one car whose style pleases him, a giant of a man steps up next to him. "You interested in this car, Mac?" Joe gulps. "Why, yes.

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Are you the salesman?" Howls of laughter greet him. He looks at the price. "That price ain't no good here, Mac. It costs 20 per cent more." Joe, startled, wants to know why. "These unpatriotic cars cost more, that's why." Joe wants to know who gets the 20 per cent. "Funny you should ask, Mac. I do. It's all part of a program to save America. I'm here to help you to save America. You want to save America, don't you? What's good for Son of Hudson is good for America."

Of course, this is all exaggerated. Nothing like this happens. There really isn't some giant hulk of a guy in the showroom. There is only a mild-mannered customs official at the dock. This is more cost-effective. But your arm is just as sore, isn't it? If you want to get your hands on a Toyota, you will have to put up with a sore arm. The soreness is supposed to be just slightly more painful than the pain from buying a new Son of Hudson and paying that extra levy to OPEC. You will have a sore arm in either case, but Congress wants the comparative soreness factor to favor Son of Hudson. This is the American way, political-style.

The genius of the system is that the victim never recognizes the assailant. Worse, by believing the traditional version of the American way, the consumer convinces himself that goon squads are necessary, so long as they only work the docks and carry official identification when they extract their "protection money." That really is what we call it. Protection.

Another Variation: Export Controls

If the problem facing Son of Hudson is foreign competition, there is another way to accomplish the same end. Americans have to buy foreign currencies when they make a purchase of a foreign product. They may not understand this, but specialized currency traders do. They buy a foreign currency with dollars, and then they sell these foreign currency units to American firms that want to import foreign-produced products.

What if Americans couldn't buy foreign currencies? Wouldn't that solve the problem for Son of Hudson? Wouldn't that stop the devastating flow of foreign goods to these shores? Of course it would. So here is my plan.

First, you get Congress to impose massive export restrictions on domestic producers. Make it illegal, or at least very expensive, to ship goods and services out of the country. That way, foreign buyers will start buying goods that are *not* "Made in U.S.A." Just get the price of U.S. goods high enough, and foreigners will buy elsewhere, right? And if they refuse to buy American goods, there will be zero demand (or at least far less demand) for American

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dollars on the international currency markets. After all, if they can't buy our goods and services, why would they want to buy our money? Anyone can see this.

Now, if foreigners stop offering to buy dollars with their foreign currencies, then Americans will be unable to buy foreign currencies with dollars. And if they can't buy foreign currencies, they can't buy foreign goods. And best of all, nobody blames Son of Hudson Motors for its advocacy of a "selfish, short-sighted policy of protectionism."

This probably seems like a peculiar way to make the case of saving Son of Hudson Motors from the onslaught of foreign competition. In fact, it sounds downright crazy. That, however, is my point. What sounds plausible from one perspective—the argument favoring tariffs—sounds nutty from another perspective, namely, the prohibition of American exports. But the argument is the same, for the economic consequences are the same.

What if you were a concerned American citizen who had come to me in search of an answer to a problem, "How to save Son of Hudson from bankruptcy?" First, as a defender of tariffs, I might have offered you the typical arguments: unfair competition, dumping, low foreign wages, and so forth. My solution: restrict imports.

Not willing to leave you with any doubts, assume that I then proceeded to give you my alternative solution: the prohibition of American exports. At that point, I began to create doubts in your mind. Maybe I was overstating this thing. You had come to me in search of an intellectual justification for "buying American," and now I was sounding slightly off my rocker. But my argument is logical. Let me explain:

"You see, if foreigners can't buy American products, then Americans can't buy foreign products. You *do* see this, don't you? All the government has to do to protect Son of Hudson Motors is to prohibit the export of American grain, American chemicals, American computers, and American technology in general. That would do it. Instead of putting a bunch of customs agents on the docks to keep out foreign-made products, all it has to do is to put them on the docks *to keep in American-made products*.

"Now look here, I want to help. You're looking at me rather strangely. Sure, it sounds a bit crazy. After all, isn't the whole idea to get people to 'buy American'? Now I come along and tell you that the best way to get Americans to buy American is to keep foreigners from buying American. You say that wasn't what you had in mind.

"What do you mean, that wasn't what you had in mind? Why didn't you say so in the first place? You

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wanted to know how to save Son of Hudson Motors from bankruptcy at the hands of foreigners. That's exactly what I'm showing you. But now you start complaining about my alternative plan. You didn't come here to ruin the American farmer, you say. You didn't come here to wipe out the international market for American technology, you tell me. All you wanted to know was how to save Son of Hudson.

"Look, let's only answer one problem at a time. You keep trying to change the subject. You keep wanting to get foreigners to buy American grain, chemicals, computers, and so forth, but you don't want Americans to buy foreign cars. You want Americans to buy American. But you also want foreigners to buy American. Look, friend, *make up your mind.* You can't have it both ways. *Congress can save a failing automobile company from foreign competition if we are willing to accept the destruction of our export markets.* Congress can force Americans to 'buy American,' but only by forcing foreigners to 'buy foreign.' But if you want foreigners to have the economic ability to buy American products, then you have to allow Americans to buy foreign products. Either you want trade or you don't. It takes two to tango, my friend. Just who is it that you want to 'buy American'?

"Yes, yes, I know. You want *everybody* to buy American. Americans should buy American, and foreigners should buy American. Everyone should buy only American. Tell me, what do you mean by the word, 'buy'? I thought 'to buy' meant 'to exchange.' I thought it meant, 'I get something of his, if he gets something of mine.' Now you're telling me everyone should buy American products. Then tell me, please, just what is it that I get from the foreigner when he gets my property? If I'm supposed to sell him my grain, or computers, or whatever, what do I get in return? I'm not running an international charity, buddy. I'm not in this for amusement. If some foreigner wants to buy anything in my shop, he darned well better have something to give me. If I have to 'buy American' by law, and he wants to 'buy American,' too, he can do his shopping in somebody else's store. Some American seller may be stupid enough to 'sell' him something for nothing, but not me. I wasn't born yesterday, you know."

Born Yesterday

Defenders of the tariff idea really have yet to come up with an economic definition of the verb, "to buy." They call the government to come to the aid of a particular American industry by imposing tariffs, quotas, or other import restrictions, and simultaneously they call for Congress to enact export subsidies, loan guar-

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antees for exporters, and similar coercive wealth redistribution schemes. Amazing, isn't it? Congress passes a tariff, and the next thing you know, American exporters are going bankrupt. So Congress passes export subsidies, and the next thing you know, prices for everything start going up. So Congress passes price controls, and the next thing you know, everything starts getting scarce. So Congress passes a rationing scheme, and the next thing you know, the world economy collapses. What's a Congress to do?

What Congress should do is to allow voluntary exchange. I buy, he sells. I sell, he buys. In fact, every time I buy, he is buying. I buy his goods and give him money; he is really buying future goods. He is "buying money," but only because he expects to buy goods from someone who will be willing to accept the money later on. I sell him goods, and I "buy his money," but only because I want to buy goods later on.

When we ask people to "buy American," what do we really mean? If we ask Americans to buy American-made products, and *only* American-made products, then we are telling American producers to sell to American buyers, and *only* to American buyers. If people who want all Americans to "buy American" are not willing to admit that they are calling for American producers to sell only to Americans, then they had better drop their slogan. Conversely, if they want foreigners to have the option of "buying American" *from American sellers*, then they have to allow Americans the option of "buying foreign" from foreign sellers.

"To buy" is "to sell." It is the *same transaction*. It is an *exchange*. The person who suggests that Americans should buy only from Americans is suggesting the absolute abolition of international exchange. He is advocating the destruction of the international division of labor. He is advocating the abolition of international economic specialization. He is advocating international economic disintegration, given the key position of American trade, American capital markets, and American technology. He is advocating economic collapse. He is advocating a return to barbarism.

We can save Son of Hudson, but only at the expense of some other American manufacturer. The more "freedom from foreign sellers" we give to one industry, the more "freedom from foreign buyers" we impose on another. The time has come to think through the economic, political, and moral implications of the slogan, "buy American." If we are upset by the implications, we had better abandon the slogan.

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A New Year's prayer of faith and hope
for friends of freedom.

RALPH BRADFORD

The Basic Law

1

We men of Earth have searched to find
A moral principle or guide—
A basic Law for humankind,
To light our steps, and to provide
Direction for our earthly course,
Derived from some celestial Source.

2

And this has led, along the road
That spans the dim, unfolding ages,
To many a prayer and creed and code,
And volumes of unnumbered pages,
As we have hopefully explored
The mystic purpose of the Lord.

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3

The Lord! Thus man has named the Power,
The Savior, God, and Judge Supreme—
Concepts of majesty that tower
Above the substance of his dream—
A Lord to listen and to lead,
And satisfy his constant need.

4

So men in new and ancient lands,
Destined with sin and fear to cope,
Have lifted heavenward their hands,
To grasp the faded hem of hope,
Beseeching light, and strength to pray:
Help us, O Lord, to find the Way!

5

For man has never been content,
As centuries have come and gone,
To think that nothing more was meant
By his creation than the spawn
Of yet another form of life
To kindle Earth's eternal strife.

6

He hopes and prays for love and peace
Among the nations; and he gropes
For understanding and release
From tribal hatreds; and he hopes
That men will follow, more and more,
The path of peace, away from war.

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7

And all the while his mind is torn
With speculation, hope and doubt.
Why am I here? Why was I born?
What is my being all about?
Is man on earth by God's decree?
What does existence mean to me?

8

Thus questioning, he probes the night
For evidence of God's desire,
Seeking amid the stellar light
The secret and eternal fire
Which hopeful men have ever seen
Lighting the stars and worlds between.

9

What is the lesson he can draw?
What moral do the stars declare
The while we study them in awe,
With hopeful eye and heart at prayer?
For grace and strength and love we yearn—
What is there yet for us to learn?

10

Our mighty Earth is but a speck
Against the vastness of the sky;
Our blazing sun is but a fleck
Of flame that will explode and die—
And every planet, sun and moon
Will fade and vanish, late or soon!

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11

Thus speaks the counsel of despair,
The pain that evermore assails
The hopeful heart. But man will dare;
His search for comfort never fails.
His questing eye is heavenward cast;
His courage, like his hope, will last.

12

And somewhere in the aisles of space,
Or in the temple of his heart,
He hears the whispered word of grace
Which love and hope—and fear—impart:
Be still, my son; your troubling cease;
Love God and man . . . . and be at peace!

Ralph Bradford, of Ocala, Florida, is well known as a writer, poet, speaker, and business organization consultant.

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John A. Sparks

Nineteenth-Century America—

OUR LEGACY OF PROSPERITY

DESPITE the repetition of phrases like "the American economic miracle" and "American prosperity," there are still very few Americans, college-age or otherwise, who can give a satisfactory answer to the question asked me some years ago by a Korean friend: "How is it that 4 million people, located between the Atlantic coastline and the Mississippi River, starting with very little in 1789, ended up with more than enough for 76 million people by 1900?"

What happened in the United States during the period from 1800 to 1900 which made it the most prosperous of nations? One can begin to answer that question in what appears to be an unlikely way—by talking about a working girl, Lucy Larcom and a teamster-clerk, George Scranton.

Dr. Sparks is Associate Professor of Business Administration and History and Director of the Institute on Public Policy and Private Enterprise at Grove City College in Pennsylvania.

Lucy Larcom and George Scranton—The Savers

Lucy Larcom was born in Beverly, Massachusetts in 1824, the ninth child in a poor, but religious family.[1] Her father died when she was eleven. Her mother moved the family to Lowell where the girls worked in the textile mill there. Her name is not one emblazoned on the pages of American history, but in her life and habits can be found the origins of American economic well-being. She earned, what most earned at the

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Chestnut Street, Philadelphia, c. 1879

factory, perhaps $3.00 a week. But, she and her mother and sisters *saved*.

It was not easy. The process of saving—postponing present consumption, refusing to spend *all* of one's earnings for current needs—is painful in the first stage of economic growth. Especially when total income is low—$3.00 per week—the temptation is to consume all and save nothing.

But Lucy Larcom and her family refused to devote all current income to current needs. Her family's acts of abstinence brought into existence a store of money capital in the form of savings. It is known, for example, that workers' savings at that one Lowell, Massachusetts plant totaled about $100,000 at one point in time for which there are records.[2] Lucy Larcom's savings and those of tens of thousands of others like her, created a fund of capital which was the prerequisite for economic betterment. Individual savers accounted for over half of the nation's total savings pool. They saved, and by so doing, began to create a legacy of prosperity.

Not only individual income-earners saved, but businessmen saved. George Scranton was a Pennsylvania teamster and clerk.[3] For years during the 1830s he saved his money. His saving habit placed limits on his present consumption, but he soon invested his money in capital goods. First he bought an iron-making furnace. After a few years of iron-making, he purchased coal lands in

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Pennsylvania, where eventually a city would grow up bearing his name. He plowed back business income into further capital goods, that is, into machinery, equipment and tools. His business was a source of further savings. Those savings increased the size of the American capital pool.

Opportunities for Investors

Money capital came from another source. To be sure, workers and businessmen saved. But, in the 1830s, as had happened earlier in England, the great aristocratic merchant trading families, the Cabots, Darbys, and Beekmans, moved their money capital out of trade and into manufacturing. Instead of being just importers or exporters of already produced goods, they invested in the production of goods themselves.

American wage earners, businessmen and traders contributed to the capital pool. In addition, foreign savings found their way into our economy. Foreign investors with money capital were eager to find opportunities here. Often they bought government bonds that were issued by the state or federal government; but foreign capital was ventured in private projects also, especially in the American West. There, during the latter part of the nineteenth century (1880–1900) British investment reached noteworthy levels. The *Laramie Weekly Sentinel* of June 9, 1883 acknowledged: "English capital has done much toward developing the Western country, and there is much to commend in the enterprise which brings millions of dollars to put into the land, ditches, and cattle along the foothills."

By 1883 twenty-one major British cattle companies owned western lands. One of them, the Prairie Cattle Company, ranged 100,000 cattle over 1,000,000 acres, constituting a capital investment of two and a half million dollars. Likewise, Scottish investment in cattle in 1884 has been estimated to have been twenty-five million dollars.[4]

Saving became a national pastime. So much saving occurred during this period that the number of banks increased greatly. Banks are, after all, "brokers," persons who bring buyers and sellers *together.* Banks bring buyers and sellers of savings together. They bring the Lucy Larcoms, the sellers of savings, together with the buyers of savings. For example, banks grew from 28 in 1800 to over 800 by 1850. Savings brokers placed portions of this fund of capital into the hands of those who purchased capital goods.

American savings overflowed national boundaries. By the 1870s private American capital was traveling abroad to China where it financed the construction of the Hankow-Canton Railway. Millions more went to Germany and Sweden for invest-

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ment there. Twenty-five million was sunk into Russia to aid the construction of railroads in that country.[5]

It is no accident that economic historians say that the period between 1850 and 1900 was a period of probably the highest savings rate in American history. It was the "Age of Saving," the "Era of Thrift."

Capital Goods

Savings lying idle bring no benefits. But American money capital was converted into capital goods. Why are *more* capital goods beneficial?

Adam Smith in his *Wealth of Nations* tells how he came across a primitive pin-making workshop employing ten men. He found the workers using limited, crude capital goods—tools—to heat, shape, point and pack the pins. With even those crude tools, observed Smith, ten men could make 48,000 pins a day. Imagine the surprise of Adam Smith if he could have been transported 100 years ahead to an American plant in 1850. There, ten employees, each with four capital machines, could produce a total of 6,000,000 pins a day![6]

Why use capital goods in production? Because they increase what a worker can produce! We commonly call this an "increase in productivity." It comes about because the laborer is given better tools with which to do the job. It is the difference between the amount of dirt one can move with an ordinary shovel on the one hand, and the amount of dirt one can move with a bulldozer on the other. All sorts of capital goods industries expanded during this period. The increase in the use of tools can be seen by one example from the lumber industry. There, the demand for the basic tool of lumbering—the ax—was so great that over 40,000 axes were required each month to cut the timber that helped to build homes, factories, churches and schools across the land.[7]

Throughout the United States these machine-equipped workers were producing more than anyone had ever imagined could be provided. But producing more of what? Some commentators have said that capitalism during this period produced only huge factories and large fortunes. However, the tremendous growth of the nineteenth century occurred because producers were motivated, energized and activated by the demands of millions of consumers. The Age of Capital Goods was and is at the same time the Age of Consumer Goods. Production, then, was directed at consumption.

A House Tour

If one were to walk through a typical frame house in a larger midwestern city around 1880, the benefits that were being brought to

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consumers by capitalism would become apparent. The attractive factory-made furniture of maple and oak that would be there could be bought by a middle income family for the first time in American history because the use of capital goods—the mechanical power circular saw, and the turning lathe—made inexpensive furniture available for many.

More capital meant larger numbers of consumer goods. The wallpaper in the parlor would not be something imported or hand-drawn, but the pattern would appear even and distinct. Three decades ago the walls would have been bare. But in 1880 householders could choose from many patterns economically priced because the use of the cylinder press, a capital good, had greatly lowered the cost of wallpaper beginning nearly twenty years previously. The carpet under foot would have been purchased for about 59¢ a yard. Textile machinery placed floor coverings within the reach of many.[8]

Even the newspaper on the hall table could properly be regarded as a product of capitalism. General circulation papers began to appear about 1840 and by 1900 they had total subscribers in the millions. What had made such papers popular? For the first time many ordinary workers had the leisure time to read. And they had time for entertainment. Home amateur musicianship sprang up in the late 1800s and blossomed in the early 20th century. *Sears Catalogue* featured what it called the "Beckwith Family Favorite," a piano for the parlor costing $89. Once again, capital goods lowered the cost of musical instruments and families had increased leisure in which to enjoy new entertainments.

Other forms of entertainment illustrate the amounts of free time that began to be available to the American worker. Organized baseball took hold in the 1850s and Rugby football began to have followers after the Civil War. Hearst's *New York Journal* was the first newspaper to have a "sports section" and that occurred in 1895. Moreover, a new American institution began to be embraced by workers—clerks and mill hands alike—the summer vacation.[9]

Not only did the living rooms and parlors give evidence of American economic progress, but, in fact, the birth of a new room was made possible by capital intensive production—*the bathroom.* It is fair to say that before the 1840s the "bathroom," as a separate room, did not exist. The kitchen was the most frequent site of infrequently taken baths. The first stationary tub with plumbing appeared in the early 1840s. However, by the Civil War, Albany, New York, a town of 62,000, had only nineteen such tubs.[10] By

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1880, however, the stationary wooden tub with copper or zinc lining was commonly found in homes. Over the last decades of the nineteenth century and on into the early twentieth century, the outdoor privy came "inside," thanks to great advances in the production of sewer pipes and systems. Mass-manufactured tubs, toilets and sinks came to be housed together in an entirely new place, the bathroom. Capital production would later make Americans into "two bathroom" citizens.

In the wardrobe could be found yet further evidence of the significant changes produced by nineteenth century capital accumulation. Textile manufacturing, as it had done in England, provided lower cost clothing to all Americans. By the end of the nineteenth century "dress ceased to be a very good indicator of differences in *scales* of living."[11] Textile plants made clothes of the wealthy and the modest income recipients almost indistinguishable. Few could discern the difference between ready-made pants of the factory worker and tailor-made slacks of the professional.

The capital equipment that made goods production cheaper and prices lower also raised workers' wages! From 1860 to 1890 the *real* wages of workers increased by about 50 per cent, perhaps more. Workers were simply able to produce more and therefore warrant their higher pay.

Why, then, do we have so much? Because those who went before us saved and invested in capital goods, which were used to produce consumer goods. It is not too much to say that such a century of saving, investment and production should be regarded as a kind of bequest from those of another era to the present generations. It is a devise from one generation to all who follow—a legacy of prosperity.

—FOOTNOTES—

[1]Oscar Handlin, *The History of the United States,* Vol. 1 (New York, Holt, Rinehart and Winston, 1967) p. 470.

[2]Herman E. Krooss, *American Economic Development,* (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1966) p. 398.

[3]Handlin, p. 476.

[4]Roger V. Clements, "British Investment and American Legislative Restrictions in the Trans-Mississippi West, 1880–1900", The *Mississippi Valley Historical Review,* XLII (September, 1955) pp. 207–228 in Thomas C. Cochran and Thomas B. Brewer, eds. *Views of American Economic Growth: The Industrial Era,* (New York: McGraw-Hill Company, 1966) pp. 163–164.

[5]Krooss, p. 214.

[6]Interpolated from data provided in Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton Mifflin Company, 1965), p. 211.

[7]John Chamberlain, *The Enterprising Americans* (New York: Harper & Row, Publishers, Inc.) p. 90.

[8]Krooss, p. 40.

[9]Samuel Eliot Morison, *The Oxford History of the American People* (New York: Oxford University Press, 1965) pp. 784–785.

[10]Krooss, p. 41.

[11]Krooss, p. 40.

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Edmund A. Opitz

The Person and His Society

EVERY PERSON pursues his individual goals in the context of some society. The norms, customs, habits and fashions of that society seem at times to hinder him, but at the same time they are a sustaining presence. Likewise the laws of his nation. Man is said to be a political animal, in the sense that society is his native habitat. But he's also a political animal in one further respect; people create governments in their own image. This is obvious in a democratic system.

It is self-evident that the politicians elected to public office are men who embody the consensus. The successful candidates are those who most persuasively promise what voters believe government should deliver; politicians operate on that slippery spectrum bounded, on the one hand, by what voters expect and demand of government, and by what they will put up with from government, on the other. A nation tends to get the government it deserves, in the sense that pressure groups will eventually organize to make wrongful demands upon government, unless the nation's "aristocracy of virtue and talent"—men with the ability to teach what expectations and demands are legitimate—are heeded.

When educators, philosophers, and men of letters fail to properly nourish the intellect, the conscience and the imagination of significant segments of a society, they betray a sa-

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cred trust as teachers of mankind, and in the wake of their defection a secular religiousness becomes the popular faith. Leviathan—the omnipotent State—is the god of this faith. Men serve Leviathan in the confident expectation that he will provide his votaries with ease, comfort, security, and prosperity. The modern world does indeed provide more of these things for more people than earlier periods, but it also exacts a toll in the form of perpetual warfare, social unrest, hardening of the arteries, softening of the brain, and a troubled spirit.

We Are the Enemy

When we attempt to assess the modern malaise we are tempted to say: "An enemy hath done this thing." But the truth of the matter is that we have done it to ourselves—the actively guilty, the passively guilty, the ignorant, the stupid, and all the innocent bystanders—we are all in this thing together.

Every society has its characteristic pecking order, and ours is no exception. Certain men, certain ideas, certain life styles are at the top of the pecking order; the masses admire and seek to emulate these men, ideas and life styles. If these ideas and styles are not life enhancing, there is frustration and thwarting at the deep levels of human nature and a whole society is sidetracked. The Remnant who keep the faith are superfluous; society has no use for their services. Such a society will necessarily get Leviathan—a government which matches its warped and ill-favored nature. Edmund Burke puts the matter plainly in a letter to constitutents in Bristol:

> Believe me, it is a great truth, that there never was, for any long time, a corrupt representative of a virtuous people; or a mean, sluggish, careless people that ever had a good government of any form.

Civilizations rise and fall, nations come and go. Why this occurs is the subject of learned speculation and debate. There is little unanimity among scholars, who disagree among themselves even as to the yardsticks by which decline and progress might be measured. But even though the overall movement of a civilization is difficult to detect, there are two trends in the modern world in all progressive countries, where the facts are clear; the first has to do with politics, the second with economics.

The thrust of eighteenth century Whiggery and of Classical Liberalism was to pry various sectors of life out from under the yoke of the State, to free them from political controls. The aim was to shrink government to a limited, constabulary function. The twentieth century has reversed this trend, with a vengeance. The theory of the free society has come under increasing attack, and totali-

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tarian governments have emerged in nation after nation.

As Classical Liberalism expanded the voluntary sector of society the economic controls of the Mercantilist era were removed from business, industry, and agriculture. Adam Smith demonstrated that—within the framework of the Rule of Law, which Liberalism supplied—the economic order was subtly regulated by the buying habits of consumers; and the free economy began to emerge within western nations. Freedom in economic transactions was never fully achieved in any nation, but we made greater progress in that direction in the United States than elsewhere, and we paid lip service to the ideal of the market economy. But ideals change.

National Planning

The new freedom did not bring about utopia, or a paradise on earth, and in the aftermath of this disappointment, a new scheme captured the imagination of the intellectuals—nation-wide planning for the achievement of national purposes and goals. The New Deal marked a major change in the popular attitude toward the free economy; efforts to frame the rules necessary for attaining competition in the marketplace gave way to the urge to put the marketplace under bureaucratic regulation. The free economy was to be phased out, step by step.

I am a believer in the free society and in the free economy. The free society is to my taste because I like its variety, I like the diversity it encourages, I like the spontaneity it permits. I also like the free economy. I like it because it is more productive than any alternative; people eat better, have more things, are more secure in their possessions. Freedom works, and therefore I resist the collectivizing trends of the twentieth century which would transform people into creatures of the State. But my belief in freedom is grounded, ultimately, on my reading of the nature of the human person.

Man, I believe, is a created being; there is a sacred essence in him. Man is on this planet in consequence of a mighty plan—of whose outlines we may gain faint intimations—and his life is used to further a vast purpose—of which we are given an occasional clue. If man is indeed a created being, and the members of a society act upon their belief that such is their nature, they will begin to frame political theories consonant with their convictions. They will erect political structures designed to safeguard the sacred essence in each person; the law will attempt to maximize each person's opportunity to realize his earthly goals.

Believing that God wills men to be free, such a society will regard

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any trespass on the true liberty of even the lowliest individual to be a thwarting of some intent of the Creator. The deep conviction that each human being is a person and not a thing will generate ideas of equal, inherent rights; and this central dogma will exert pressure on personal attitude and conduct, on government and law, on every level of the free society, to bring all into harmony with the key belief that man is a created being.

But suppose man is not a created being. Suppose the human being is not a person, but a thing. If the universe is simply brute fact, mindless and meaningless; reducible in the final analysis to mass and motion—then man is a thing just like any other item in the catalogue of the planet's inhabitants.

The Materialistic Concept of Human Beings

Suppose we assume—as do many of our contemporaries—that man is the chance product of the random movement of material particles. Man's haphazard appearance on a fifth rate planet is, then, a fluke; he just happened to occur, as the accidental by-product of physical and chemical forces. He's merely a part of nature, like every other species on the planet. Except that the human species is more foolish than the rest, loves to be bamboozled, and, has such a gift for make-believe that its continued existence is problematic!

When we confront a strange object we try to size it up, so we'll know better how to deal with it. If it's a person we get onto a person-to-person basis; but if it's a thing we treat it like a thing. We make a crucial decision here, and the way we decide depends upon our basic philosophy, our understanding of the fundamental nature of the universe.

If we have embraced some variety of Materialism as our philosophy then we must eventually come to the logical conclusion that human beings are things, and once we conclude this we'll begin to treat people as things. People then come to be regarded as units of the State, as objects to be manipulated, as pawns in a political game to be used up in some national plan, as guinea pigs for experiments in genetic engineering, as robots programmed for utopia. Shades of 1984!

I am prepared to argue that we get the free society only after the consensus has firm convictions about the sacredness of persons, and that we get the free economy only after we have the free society. Now, when we reflect on the nature of persons we involve ourselves in some pretty deep philosophical and theological questions, and some of our contemporaries are impatient with such speculation. They believe that the intellectual opponents of the free

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market can be devastated by straightforward economic arguments, and once we have the free market everybody will be doing his own thing and we'll get the free society as a matter of course. Things are not this simple; if they were, freedom in human affairs would be the rule; voluntary transactions and unhampered exchange would then mark the economic life of all nations. The reverse is true: freedom has always been in jeopardy, and the liberties which expanded during the Classical Liberal Era are now contracting everywhere.

The Conditions of Freedom

There is a deep-rooted urge in each person to be unhampered in the pursuit of his own life goals, but this individual instinct for freedom has only rarely in history been institutionalized as the free society. Likewise, each person has a deeply rooted desire to conserve his energy and improve his material well-being; trade and barter are as old as mankind. But despite the economizing urge the free economy seldom appears on this planet.

The free society and the free economy did emerge in the eighteenth century and freedom expanded during the nineteenth. An excellent literature came into being to expound and defend political and economic freedom, despite which freedom retreated during the twentieth century because there was a leak at the philosophical level, where we deal with the nature of personhood and the meaning of life.

The economizing spirit is concerned to save energy and resources; it strives ceaselessly to diminish inputs and maximize outputs. Which is to say that economics is the drive to get more for less. Now, unless this more-for-less impulse is counterbalanced by non-economic forces it develops into a something-for-nothing mentality. And when the something-for-nothing mentality takes over the free economy dies of autointoxication.

The advice to "do your own thing" has been repeated so often as to be an incantation, and if freedom could be had by casting a spell then the free society would be a shoo-in. But the free society cannot be sustained by magic, and lacking a philosophy of personhood, the advice to "do your own thing" is an invitation to disaster. The weak doing their thing are at the mercy of the strong doing theirs, and the unscrupulous have the upper hand over the rest.

I belong to a bicycle club and have two friends with whom I ride. Joe is a weightlifter, a powerful man, and a "square." Fred is a middle-aged retiree with strong affinities for the youthful life styles of today. We three were in a resort town for a bike rally, and in addition to cyclists there were many young people whose sar-

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torial and tonsorial disarray proclaimed their devotion to individual liberty. The three of us stopped for refreshments at a soft drink stand and watched the passers-by. A pair of especially unkempt and unwashed young men strolled by, and Joe—the muscular "square"—muttered, half under his breath, "I'd like to wring their necks!" Fred, a gentle and sympathetic soul, said, "But, Joe, they're only doing their thing." To which my obvious retort was, "Yes, Fred, but Joe's *thing* is wringing hippies' necks!"

The Rule of Law

Classical Liberalism was built around the idea of the Rule of Law, equal justice for all, and thus it erected certain guidelines and standards, whose observation maximized each man's liberty in society. And it framed these rules because each person is a sacrosanct individual, free in virtue of his very nature. When convictions about the sacredness and mystery of personhood are energized, then men will seek to erect institutional safeguards around each individual, and we move toward the free society. But if the prevailing philosophy has a faulty doctrine of personhood, then people lose that sense of their true humanness which would lead them to strive for an ordered liberty, and we lapse into the closed society.

Modern thought, the ideology which has prevailed during the past two centuries, has many facets and some undeniable strengths. But it has one glaring defect, it has no adequate doctrine of personhood. This ideology is reductionist in tendency, whenever it contemplates the Self. It reduces men to animals and animals to machines. It defines thought as subvocal activity, dismisses reason as rationalization, explains mind as a mere reflex of activity among the brain cells, and invokes the conditioned reflex to account for every variety of behavior.

I am painting with a broad brush in order to highlight a drift or tendency in modern thought, "a mean, sluggish, careless" streak in the realm of ideas. When a thinker uses a finely tuned instrument—his mind—to reach the conclusion that thought cannot be trusted, we have evidence of corruption in philosophy. Let me illustrate.

Philosopher Kings

There are philosophers of considerable and deserved reputation who have dreamed up world views in which human beings figure as creatures of a lesser stature than persons. Be it noted, however, that the philosopher guilty of devaluating personhood generously exempts himself from the strictures he applies to others! Given his blind spot, he concludes that it is only other people, the mass of mankind, who

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fall within the scheme of manipulable objects; the philosopher who regards us as unpersons finds another category for himself. He's the philosopher king!

Bertrand Russell, in a celebrated essay entitled "A Free Man's Worship," declares that "Man is the product of causes which had no prevision of the end they were achieving; his origin, his growth, his hopes and fears, his loves, and his beliefs, are but the outcome of accidental collocations of atoms." In short, we are—along with our beliefs—merely the end result of a chance arrangement of material particles.

It follows, on Lord Russell's own showing, that his opinion that such is the case is itself only a reflex of an "accidental collocation of atoms." What point is there in publishing this opinion unless its author regards it as being closer to the truth than alternative views? But can the designation true or false be applied to an "accidental collocation of atoms" or any product thereof? By the internal showing of Russell's statement, his own beliefs are below the idea level; they are subreason. Furthermore, the publishing of these words bespeaks a wish on the author's part to persuade other people of the validity of his position. But why bother to offer enlightenment to creatures whose beliefs are nothing but the chance result of blind forces?

Bertrand Russell was immensely gifted as a philosopher and mathematician, but his philosophy is deficient in its attempts to account for self-hood; it has no adequate place for persons. And if Russell is deficient here, how much more deficient are the lesser men who instruct us in the meaning of life!

Philosophical Entrapment

The widespread irrationalism of the present day represents the dead end of a philosophy which developed a world view wherein was no proper niche for the creator of that world view—the philosopher himself! It takes a brilliant and ingenious mind to arrive at such a paradoxical conclusion which so blatantly denied the obvious. Any fool knows that white is white and black, black; so does the wise man. But in between the fool and the wise man are those who are able to argue with perverse brilliance that white is a kind of black.

C. A. Campbell, emeritus professor of philosophy at Glasgow University, makes a sound observation: "As history amply testifies, it is from powerful, original and ingenious thinkers that the queerest aberrations of philosophic theory often emanate. Indeed it may be said to *require* a thinker exceptionally endowed in these respects if the more paradoxical type of theory is to be expounded in a way which will make

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it seem tenable even to its author—let alone to the general philosophic public."

To be a man is to search for meaning. Philosophy begins in wonder, and we can't help wondering what life is all about, and how human life fits into the total scheme of things. We try to decipher the mysteries of the universe, hoping to obtain a few clues to help us play our roles in life with zest and joy. We wonder if human values and ideals find reinforcement in the nature of things, and if the values that concern us most deeply—love and honor, truth, beauty and goodness—are realities. Or are they merely illusions we cling to for comfort in an otherwise cheerless existence?

We consult the philosophers, and all too many of them are mired in the cults of unreason, meaninglessness, and absurdity. Man is a cosmic accident, they assure us; the universe is a moral and aesthetic blank, completely alien to us. We cannot trust our own thought processes, they say, as they simultaneously downgrade mind and insist that we accept their theories! Well, they can't have it both ways! Of course, if matter is the ultimate reality, mind is discredited. But if this discredited instrument is all we have to rely on, how can we put any confidence in its findings? If untrustworthy reason tells us that we cannot trust reason, then we have no logical ground for accepting the conclusion that reason is untrustworthy!

Well, I don't trust the reasoning of people who champion the irrational, and I do know that our reasoning powers may be—like anything else—misused. But when human thought is guided by the rules of logic, undertaken in good faith, and tested by experience and tradition, it is an instrument capable of expanding the domain of truth. Reason is not infallible, but it is infinitely more to be trusted than nonreason!

A Religious World View

Deep down within us we know with solid assurance that we really do belong on this planet; that we are the key component of the total richness. We know this, but we need reminding—as in these words from the gifted and unorthodox thinker, Anthony M. Ludovici:

> The profound and cultivated man of wanton spirits, whose sense of self is the outcome of healthy impulses springing from the abundant energy and serenity of his being, not only affirms his own self and the universe with every breath he takes, but, by the intimate knowledge he acquires of life through the intensity of his own vitality, he feels deeply at one with everything else that lives. The intensity of his feeling of life helps him to perceive, behind the external differences of living phenomena, that quality and power which unites him to them. The luxuriant profligacy

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of nature finds a reflection in his soul, but it also finds an answering note in his feelings. Profound enough not to be deceived by surfaces, he feels the dark mystery behind himself and the rest of life, and what is more important, guesses at the truth that he himself cannot, any more than the daisy or the antelope, stand alone, or dispense with the power which is enveloped in that dark mystery. (*Man: An Indictment,* p. 204)

These are the authentic accents of a religious world view, and a citizenry in whom this vision lives will invest each person with a sacredness, a protected private domain, a body of rights and immunities. The law, then, is established to secure these prerogatives of the person, and government is limited to those functions which maximize liberty and justice for all. This is Jefferson's "Equal and exact justice to all men, of whatever state or persuasion." This is the free society, and it is not an autonomous social order, suspended in midair, it is based necessarily on a religious foundation.

Freedom in the Market when Options Are Open

Even less autonomous is the free market. Freedom of action in the economic sphere does not beget itself, but a society which maximizes liberty for all persons equally has freedom in economic transactions as well. The free economy, in other words, is simply the label attached to human behavior in the marketplace when our options are open, as they should be.

"The heavens themselves, the planets and this centre observe degree, priority and place." Shakespeare was right; there is an overarching Order and Pattern built into the nature of things. Everything has its rightful place in that Order, and each thing after its own kind manifests its peculiar nature—except man.

Man does not simply and naturally manifest his own nature; he is open-ended! Unlike the other orders of creation, man is not infallibly guided by instinct—he is free. Not being locked into a behavior pattern, he has to establish contact with his deeper self, and then properly interpret and carry out its mandates. Only then may he learn to express his true being by conforming himself and all his works to the universal Pattern.

Plato, in the *Laws,* refers to an ancient saying that God, who holds in his hands beginning, end and middle of all that is, moves through the cycle of nature, straight to His end. And Plato adds:

> Justice always follows Him and punishes those who fall short of the divine law. To that Law, he who would be happy holds fast and follows it in all humility and order; but he who is lifted up with pride or money or honour or beauty, who has a soul hot with folly and youth and

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insolence, and thinks that he has no need of a guide or ruler, but is able of himself to be the guide of others, he, I say, is deserted of God; and being thus deserted he takes to himself others who are like him, and jumps about, throwing all things into confusion, and many think he is a great man. But in a short time he pays the penalty of justice and is utterly destroyed and his family and state with him. (*Laws*, IV, 716)

We are the architects of our own Leviathan. Whenever a people goes slack, whenever the mean, sluggish, and careless are moved up to the top of the pecking order, then we get an unlovely society to match our own ill nature. But this need not be. The way we express our nature is not fixed in one mode only; we are free to change the pattern of our lives. There is a right way, a way that is good for man, a way that meets the needs and demands of human nature and the human condition, a way that fulfills the law of our being. Walking in that way, men and women find their proper happiness in a free and prosperous commonwealth.

IDEAS ON LIBERTY

The Case for Economic Freedom

THE doctrine of man held in general in nineteenth-century America argued that each man was ultimately responsible for what happened to him, for his own salvation, both in the here and now and in the hereafter. Thus, whether a man prospered or failed in economic life was each man's individual responsibility: each man had a right to the rewards for success and, in the same sense, deserved the punishment that came with failure. It followed as well that it is explicitly immoral to use the power of government to take from one man to give to another, to legalize Robin Hood. This doctrine of man found its economic counterpart in the system of free enterprise and, hence, the system of free enterprise was accepted and respected by many who had no real understanding of its subtleties as a technique for organizing resource use.

As this doctrine of man was replaced by one which made of man a helpless victim of his subconscious and his environment—responsible for neither his successes nor his failures—the free enterprise system came to be rejected by many who still had no real understanding of its actual operating characteristics.

BENJAMIN A. ROGGE (1920–1980)

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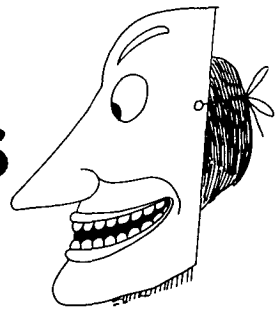
John K. Williams

THE BUSINESS BOGY



MYTHS die hard.

Everybody knows that the words, "Alas! poor Yorick! I knew him well," are taken from Shakespeare's *Hamlet*. Everybody knows that Sherlock Holmes was given to muttering, "Elementary, my dear Watson!" Everybody knows that Cinderella wore glass slippers to the handsome prince's ball.

Unfortunately everybody is wrong. The relevant lines in *Hamlet* read, "Alas! poor Yorick! I knew him, Horatio . . . " Sherlock Holmes' famous dictum doesn't occur even once in the fifty-six short stories and four novels Sir Arthur Conan Doyle penned about his celebrated detective. The seventeenth-century French text of *Cinderella* asserts that the good lady's slippers were *vair* (ermine) not *verre* (glass); Charles Perrault, who translated the tale into English in 1697, was responsible for a mistranslation which condemned generations of readers to bewilderment and poor Cinderella to a thoroughly uncomfortable evening's dancing.

But try convincing a "true believer" of his error about Hamlet, Sherlock Holmes or Cinderella. Argument is an exercise in frustration, indeed futility. The "true believer" just *knows*, and that is that!

Similarly with business. Everybody just *knows* that business exists to "rip off" consumers, that business profits are evidence of exploitation, and that men and women engaged in business are a shady lot.

• Ralph Nader visited Australia recently. His public addresses were well received. His audiences listened with an intensity and responded with a fervor an "old-time religion" preacher would envy. The words "business," "corporation," "businessman," and "business executive" were clearly "bad" words, and

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the audience recognized them as such, booing and hissing on cue. His suggestion that many executives of "big businesses" should be imprisoned for defrauding the public received rapturous applause.

• A recent Harris poll in the U.S.A. revealed that public confidence in the "essential honesty" of business had dropped some thirty per cent over ten years, most significantly among the young. Australian young people share this attitude. Career guidance programs in secondary schools frequently include materials enabling students to "clarify" their values when making a career choice. They are asked to rank a number of career areas in terms of these careers' "moral worth," usefulness to the community, and prestige enjoyed (or prestige the students believe them to enjoy). Out of sixteen career areas listed, business ranks, on the average, fourteenth.

• A recent interview by *T.V. Guide* with Mike Wallace, star interviewer and investigative journalist of the *Sixty Minutes* program, included the question, "Do you handle someone who may have something to hide differently from a Baryshnikov or a Horowitz?" Mr. Wallace replied, "Of course . . . In both cases the interviewer 'role-plays.' With the businessman he may play prosecutor, or if the individual responds better to lulling, then the interviewer goes that way." *(T.V. Guide,* November 24, 1979) The shift is significant. Mike Wallace simply assumed that a person who has "something to hide" is a "businessman."

No government ever lost office for underestimating community sympathy for business; no newspaper ever suffered a massive decline in readership for criticizing business; no clergyman ever emptied his church by denouncing business. Business is, apparently, fair game for attack. "Until proved innocent assume business has something to hide."

Why Pick on Business?

Yet it is all very odd. Are businessmen striving for advancement more ruthless than academics plotting their next promotion?

Is the world of art conspicuously free of the confidence tricksters allegedly crowding the world of business?

It is not enough, however, sadly to observe that individuals who are deceitful, lazy, negligent or fraudulent in the practice of their profession are universal, and leave it at that. It is necessary to ask why dishonesty—indeed, crime—is widely perceived as an alien intruder in most professions, but an expected inhabitant of the world of business.

Answers are plentiful. "Marx's rhetoric about 'exploitation' has fil-

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tered down to common parlance." "Frustration welcomes a scapegoat and many sources of frustration—rising prices, a declining job-market, even the failure of a family's washing machine—can conveniently and with some semblance of rationality, be attributed to the shadowy villain 'business'." "The masses are woefully ignorant of economic reality, hence misperceive the nature of business."

Maybe. But such answers merely delay the significant question. What is there about business that gives Marx's rhetoric any degree of plausibility? What feature of business makes it a popular scapegoat? Why should a misperception of economic reality invariably result in business being cast as a "villain"?

The answer is the same to each question. *Whereas most professions are perceived primarily in terms of a service rendered and only secondarily in terms of financial gain achieved, business is perceived primarily—perhaps totally—in terms of gain.*

The Heart of the Problem

For centuries significant professions have "justified" themselves essentially by reference to the way they enhance the lives of those served by these professions; that human beings acquire for themselves what they need to enjoy the "good life" by laboring at these professions has been politely downplayed. The doctor, according to this fiction, labors primarily to further the art of healing; the teacher battles to defeat the ogre of ignorance; the opera singer exhausts herself in the service of her art. The beneficiaries are those healed, instructed, or inspired. To be sure, the doctor, the teacher, and the opera singer gain financially by exercising their skills, but the initial answer to the question as to what these people *do* relates to their professions and those benefited, not the professionals' reward. Ask what the businessman "does," however, and the answer is invariably, "he makes money."

Wisely, some businessmen have attempted to correct this strange contrast. They are wise to do so because public attitudes control, within limits, politicians' actions. That an economic proposal is damaging to business is widely heard as a point in *favor* of such a proposal; the politician who attacks business invariably receives a more enthusiastic hearing than the politician who defends business. Irving Kristol is correct to observe that at the moment corporations have no constituencies, no one ready to defend them and come to their aid when they are attacked.

Bluntly, the gap between the public's perception of business activities and the activities of other professions must be closed, or business en-

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terprise may find itself being closed. Lewis Powell, Associate Justice of the U.S. Supreme Court and author of the well-known *Powell Memorandum,* was right to observe that "business and the enterprise system are in deep trouble, and the hour is late."

Yet frequently businessmen, seeking to defend their profession, do so by pointing to external consequences of their activities. They point to revenues gained by government through company taxes; they point to the jobs private businesses create; they even point to charitable programs supported by business! And this "defense" is madness! It increases, rather than diminishes the seeming "gap" between business and other professions. Doctors "justify" themselves by reference to what they *do,* not by reference to the taxes they pay or the nurses, drug company salesmen, and debt collectors they employ! Teachers refer to their teaching, not the chalk they consume and the text-book market they create! Opera singers refer to their music, not the theater ushers and program sellers whom they keep in a job! Business must be "justified" by what the business professional does.

What Does the Businessman Do?

Before specifying what it *is* that the businessman does, it must be acknowledged that the businessman exchanges his skills and time for money—more precisely, for the goods and services for which the money can be exchanged. Similarly with the doctor who forgoes leisure and exchanges his time for his patient's fee, and the patient who forgoes some other goods and services that fee could have procured in favor of the doctor's time and skills. The situations are parallel. And as is the case with any voluntary exchange, each party gains what he values most. After all, in the absence of coercion two parties only make an exchange because each believes he will benefit by so doing.

Yet, what skills does the businessman exercise?

They vary. Consider the businessman as an entrepreneur. He is an expert at perceiving information gaps in a complex society and acting to close those gaps. He observes, say, that apples are available in a particular locality for thirty cents a pound. The person growing those apples wishes to exchange them for thirty cents, preferring what that money can purchase to the apples. He observes further that people in a distant locality are willing to pay seventy-five cents for one pound of apples, preferring to forgo other goods that sum of money could purchase. Neither party is aware of the other's existence. The entrepreneur observes the information gap, and locates a further party who is pre-

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pared to exchange his time and the use of his truck to transport apples from the producing locality to the consuming locality for, say, five cents per pound. The parties are brought together and all, including the entrepreneur, benefit. Each has made the exchange he wished to make. Each has parted with what he values less for what he values more. The entrepreneur has exchanged his skills of noting and closing information gaps for the goods and services his "profit" can purchase.

And his role is vital. In a complex society information gaps are inevitable. The noting and closing of these gaps is essential if people are to make the exchanges they wish to make. The entrepreneur's initially large profit will, of course, tend to decline, for large profits signal to other apple growers, transport drivers, or "co-ordinators" what they can do to achieve lesser but real profits. Fairly rapidly the market price of apples in the consumer district will drop and remain constant. The gap has closed and a state of equilibrium obtains. But the entrepreneur is by now off to close yet a further information gap he has noted—this time, perhaps, a gap between a consumer need and the capacity of a new but undeveloped product or process to meet that need.

What about the producer? Again he co-ordinates: he co-ordinates countless separate and distinct skills to manufacture one particular product. And to do that he must *deal in time*. In a sense his peculiar trait is *a preference for future as against present goods*. By forgoing present consumption, he has accumulated capital, enough capital to enable him to exchange money here and now for labor here and now. The seller of labor thus acquires his desired present good. The producer, however, is prepared to wait until the object being produced is completed, brought to the attention of purchasers, and sold before receiving his reward. He has exchanged his skills as a co-ordinator, and his capacity to wait for a future good, for the "profit"—the payment—he at last receives.

The businessman is also an anticipator. He must anticipate what consumers will want in the future, then efficiently co-ordinate the suppliers of raw products, of labor, of advertising space or time, and of transport so that the needs of consumers are met when they arise, more efficiently and more cheaply than competitive producers could meet them.

The information-gap perceiver and bridger. The skill co-ordinator. The anticipator. And the risk-taker, for the businessman usually has to exchange a present and *certain* good for materials leading only to a *possible* future good for himself.

Are these tasks contemptible? To

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be sure the picture presented is grossly simplified; the complex reality of business life involves more skills than this simple sketch has noted. And more than professionals, the businessman's success depends on his enabling other people to achieve what they want. He can only make "huge profits" if he satisfies and keeps satisfying the actual needs of real people more cheaply or more pleasingly than do others. He does not enjoy the coerced custom guaranteed the teacher. The numbers of competitors entering his profession are not as tightly controlled as are those entering medicine. His customers are just as fickle as—perhaps more fickle than—those of the adored opera singer. He is hardly to be condemned.

The Death Wish of Business

Yet, there may be in the behavior of the businessman one tragic and fatal failing. He acts quickly to close information gaps between the seller and eater of apples, but he does little to close the information chasm between his own profession and a critical public. He daily exchanges present certain goods for future possible goods, but he chooses "business-as-usual" today at the expense of the possible non-existence of a free market in the future. He draws upon the expertise of those able to inform the public as to the excellence of his products, but he either will not or cannot employ such experts to sell himself and what he does to a grossly uninformed community.

That is his failing, and possibly his fatal failing. Popular myths about Hamlet, Sherlock Holmes, and Cinderella's slippers are harmless. Contemporary myths about business could be lethal.

Like all myths, these myths "die hard." Yet, attacked intelligently enough and determinedly enough, die they will. That they are attacked is important. For if they do not die, business enterprises will, and all of us—including thankless consumers—will be the poorer.

IDEAS ON LIBERTY

Eternal Vigilance

OUR MOST formidable fortress of defense in time of stress still remains the Constitution of the United States. But it is only as good as our understanding and defense of the purpose for which it was drafted. Eternal vigilance and personal responsibility are still the price of human liberty.

JAMES MUSSATTI

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Brian Summers

Freedom or Power?

ONE hears a lot of talk about freedom. This is especially true when the subject is public policy. But the closer one listens, the more one finds that people aren't talking about freedom at all. They are talking about power.

We had best define our terms. Freedom is the absence of coercive intervention in peaceful activities. In the words of F. A. Hayek, freedom is "the state in which a man is not subject to coercion by the arbitrary will of another or others." Or, as Milton Friedman phrases it: "Political freedom means the absence of coercion of a man by his fellow men."

Power, on the other hand, is the ability to act. It is the capability of doing something—peacefully or otherwise. If freedom refers to what a person *may* do, power refers to what he *can* do.

Most people, unfortunately, fail to distinguish between freedom and power. As a result, many coercive programs have been proposed and enacted in the name of freedom. In fact, some of these programs are nothing more than governmental transfers of power.

Freedom from Want

For example, many people propose that the government should guarantee "freedom from want." By this they mean that everyone should have

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sufficient wealth to meet his basic needs.

"Freedom from want" has a strong emotional appeal. It is frequently used as a rallying cry by those favoring national health insurance, public housing, food stamps, and other welfare programs. But before this concept is embraced any further, there are several questions that should be asked.

Does everyone deserve freedom from want? Do the lazy, the antisocial, and the criminal elements in society deserve, as a matter of right, relief from poverty?

How is "freedom from want" supposed to be guaranteed? Do the means involve coercion—benefiting some by reducing the freedom of others? Will the means achieve their stated purpose—or will they create still more poverty?

Before answering any of these questions, we must ask a more basic question: What does "freedom from want" have to do with freedom?

Referring to our definitions, we see that "freedom from want" is not "the state in which a man is not subject to coercion by the arbitrary will of another or others." "Freedom from want" is the ability to purchase certain items. This is purchasing power—the power (ability) to buy goods and services.

Whether someone has this power may depend on his freedom. But, contrary to popular opinion, a person's freedom doesn't depend on his wealth. We will examine these relationships later. For now we merely point out that freedom and purchasing power are not the same thing.

Freedom from Exploitation

"Freedom from exploitation" also has a strong emotional appeal. This little phrase has been instrumental in passing many laws—particularly raises in the minimum wage.

But raising the minimum wage does not give workers more freedom. In fact, it reduces their freedom to bid for jobs. For instance, teenagers may no longer offer to carry groceries for $3.00 an hour when the minimum wage is $3.35. They will remain unemployed while customers carry their own packages.

If minimum wage laws cost unskilled workers their jobs, why are they backed by labor unions? The answer might be a well-meaning but misguided concern for the poor. But we should bear in mind an often overlooked fact: With low-productivity workers legally excluded from the market, minimum wage laws give high-productivity workers greater bargaining power. They don't have to worry about competition from cheaper, less productive labor.

Minimum wage laws clearly reduce employers' freedom to hire unskilled workers. But the freedom to hire isn't the power to exploit. When a worker freely agrees to a wage

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rate, he does so because, at the particular moment, that is his best option. From his point of view, he is better off accepting the wage than doing anything else. He is only being exploited when he is being coerced—as when union leaders exploit his forced exclusion from the labor market.

Rent Controls

Fear of exploitation has also been instrumental in passing rent controls. These regulations are supposed to protect tenants from "exploitation" by ensuring their "freedom from excessive rent increases."

Again we must ask: What does this have to do with freedom?

A rent increase isn't a coercive threat. It is a landlord's revised offer to do business—to trade continued use of an apartment for a revised price. As in any other market transaction, consumers (in this case, tenants) are free to accept the trade or walk away from it. Rent increases do not threaten freedom.

But rent increases do threaten tenants' power (ability) to keep apartments. Rent controls are designed to protect this power. These controls give *current* tenants the power to keep apartments that *prospective* tenants would gladly pay more to rent.

Of course, this reduces landlords' freedom. And, by preventing prospective tenants from bidding for apartments, controls reduce their freedom as well.

Rent controls also reduce landlords' power to charge "high" rents. But, as we have seen, this power isn't coercive. And it isn't arbitrary. It is determined by the supply of rental housing and tenants' demand. In these terms, the only "excessive" rent is a rent that no tenant will freely pay—one that exceeds the supply and demand conditions set by the market.

Minimum wages and rent controls are just two forms of price control. All such controls reduce freedom by abrogating prices peacefully agreed upon in the market. And all create conditions so bad that further moves from freedom are quickly proposed. All this, of course, in the name of freedom!

In 1979, for instance, the Department of Energy held pump prices of gasoline below market-clearing levels. With demand exceeding supply, shortages and long lines soon developed. To eliminate these lines, it was proposed that rationing be imposed so that every driver would be "free" to buy a fixed quantity of gas at controlled prices.

But this isn't freedom. It is the power to (hopefully) obtain a given amount of gas by preventing other drivers from buying more than the legal limit. Rationing restricts consumers' freedom by denying them

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the right to bid for goods and services.

Any government intervention in the economy reduces someone's freedom—what he *may* do. The effect of intervention on his power—what he *can* do—is more complicated. More on this later.

Let us now consider some freedoms commonly viewed as noneconomic—freedom to associate, freedom of speech, and freedom of the press. These cherished freedoms, we shall see, are frequently used as slogans to distract attention from coercive activities.

Freedom to Associate

Freedom to associate is the right to interact peacefully with other consenting individuals. This, to be sure, is a form of freedom—the absence of coercive intervention in peaceful activities. But "freedom to associate" is also used to justify activities that are anything but peaceful.

For instance, in the United States, union workers have the freedom to associate. No one may legally intervene in their peaceful activities. But under Federal law and various National Labor Relations Board and Supreme Court rulings, the government rarely intervenes when union workers prevent nonunion workers from associating with employers. Thus, in practice, "freedom to associate" degenerates into the raw power to exclude nonunion workers—even when the union workers have quit and gone on strike.

Minorities also want "freedom to associate." They wish to interact with other people without suffering from racial discrimination. This is an understandable desire.

But we should bear in mind that discrimination isn't coercion. When the government steps in with affirmative action, it isn't protecting minorities from coercive intervention in peaceful activities. And it probably isn't reducing the prejudices of those with whom minorities wish to associate. What affirmative action does is give minorities the power to deal with personnel managers, college deans, landlords, and others on more favorable terms. Affirmative action coerces these people—thus reducing their freedom.

Affirmative action may restrict businessmen's freedom, but what about their power? Without affirmative action, can't businessmen arbitrarily discriminate against minority workers?

Not if they want to earn profits. Profits are not earned by arbitrarily hiring, promoting, and firing employees. They are not earned by letting prejudice get in the way of sound business practice. They are not earned by employing anyone but the best person for the job to be done. The much maligned profit mo-

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tive, regulated by nothing more than free market competition, is the worker's best protection against arbitrary discrimination.

Freedom of Speech

Even freedom of speech and freedom of the press are sometimes used as covers for power. These freedoms guarantee the right to use one's property to promote ideas. But some people aren't satisfied with this. They demand (and often get) the power to use other people's property—shopping centers, colleges, radio and television stations—as a forum.

Such people perhaps don't realize that having a bigger forum—having more property—doesn't give anyone more freedom. It may, of course, give the owner more power (ability) to set forth his ideas. But it doesn't make his ideas more compelling, or necessarily win them greater approval.

In a free society, the wealthiest person may not interfere with the freedoms of speech and press of the poorest individual. Nor, in a free market, may anyone interfere with an individual's peaceful efforts to acquire property. He is free to build a bigger forum.

These few examples illustrate the current confusion between *freedom* and *power*. Other examples abound. One has only to be a careful listener and reader to pick them up.

With these examples in mind, let us consider the following questions: What is the relationship between a person's freedom and his power (ability) to act? Does this relationship vary over time? How does government intervention affect this relationship?

These questions call for a careful look at the meaning of freedom—the absence of coercive intervention in peaceful activities. Most studies, unfortunately, simply point out that the fewer the coercive interventions, the more freedom people possess. Other things being equal, this is true. But what about the range of activities a person may peacefully pursue? A more complete analysis of freedom should incorporate both concepts.

The Range of Options

Thus, our questions are perhaps best approached by considering a person's options—the alternatives he faces. Viewed in these terms, the more options a person may peacefully pursue without coercive intervention, the greater his freedom. Similarly, the more options he has the capability of attaining—peacefully or otherwise—the greater his power.

At first glance, it might appear that there is no connection between freedom and power. At most points in time, one can find almost any combination of the two.

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Consider, for instance, the different combinations of freedom and power existing around the year 1700. At that time monarchs had great freedom and great power. Nobles attending the throne often had great power but little freedom from the monarch's arbitrary intervention. Conscripts, serfs, and slaves had little freedom or power. The American colonists had considerable freedom but little power.

In a command society, the combinations of freedom and power remain relatively fixed. As long as the ruler stays in power, he continues to have great personal freedom, his henchmen continue to have great power, and the masses continue to have little freedom or power. The command society is a static society.

In a freer society, however, a dynamic relationship between freedom and power develops. As the American colonists, for example, pursued their affairs in relative freedom, they prospered. Their purchasing powers rose—increasing the number of options they could attain by peaceful means. They acquired more power to engage in peaceful activities.

As the colonists thrived in freedom, they accumulated capital and tried new ideas. They created new products and new manufacturing processes. These increased the number of alternatives their fellowmen could peacefully pursue without coercive intervention. They acquired more freedom.

In short, in terms of peaceful activities, freedom begets more freedom and more power.

Despite these favorable trends, many people contend that the free market creates large businesses with powers to coerce—giant corporations, conglomerates, and financial institutions. But, we must ask, does the offering of a large number of goods and services constitute coercion? Is a job offering a threat to freedom? In a free market, the power of large businesses is nothing more than the ability to offer many options. In a free market, these businesses have no powers to coerce.

Freedom and Government Intervention

But government interventions do coerce. When these interventions exceed what is necessary to keep the peace, people become less free.

For instance, Food and Drug Administration rulings prohibit consumers from buying certain products. Taxes, regulations, and price controls decrease the availability of other goods and services. Licensing regulations and minimum wage laws prevent workers from bidding for jobs. All such government interventions reduce the range of options a person may peacefully pursue.

Although government interven-

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tions reduce the range of options, the hampered market is still creating opportunities. In balance, people may still be gaining freedom. But they are not as free as they would be if the government didn't intervene.

One frequently hears the assertion that the government itself creates options. Public works, for instance, are pointed out as employment opportunities created for millions of workers. The tax money spent, we are told, creates more purchasing power and more freedom.

This line of reasoning ignores a simple fact: Every dollar spent on public works is a dollar that won't be spent on private works. Public works produce no net gains in employment, goods, or services. But they do produce a loss in freedom as taxpayers are coerced into financing projects they wouldn't voluntarily support. Public works don't create purchasing power; they reduce freedom by forcibly transferring purchasing power from the private to the public sector.

Some people contend that government interventions make people better off by eliminating undesirable options—low wages, high rents, high gas prices. But the very fact that people pursue these options shows that, for them, these options are preferable to unemployment, no housing, and no gas.

Despite such sophisms, the issue is clear: Government intervention reduces freedom.

Power and Government Intervention

How does government intervention affect a person's power (his ability to act)? This, for many people, is the crucial question. They will tolerate—even advocate—government programs that reduce the purchasing power of the upper and middle classes if these programs increase the purchasing power of the poor.

In the short run, such programs may work. Send someone a welfare check, give him food stamps, grant him a rent supplement, and his purchasing power will temporarily rise.

But purchasing power—the ability to buy goods and services—depends on more than a person's wealth. It also depends on the range of options being offered in the market.

In the long run, government interventions reduce incentives to work and invest, reduce the savings available for investment, reduce the opportunities entrepreneurs notice and pursue—reduce the options offered in the market. With the passage of time, each person's range of alternatives is diminished, compared to what it would have become in a free market. In the long run everyone—even the intended beneficiary—has less purchasing power.

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For example, the purchasing power union workers gain by excluding nonunion workers is soon eaten up by taxes, rising prices, and other costs of government intervention. The power to hold onto rent controlled apartments becomes less valuable as the controls turn these apartments into slums. Even the gains minorities win through affirmative action are more than offset by oppressive taxation and stifling regulation. In the long run, all these people would be better off in a free society without their governmentally granted privileges.

It is the long run that many advocates of government intervention ignore. They point out, for instance, that it doesn't matter to poor people if rationing restrictions or high prices limit them to ten gallons of gas a week. The freedom to buy goods and services, they say, is an empty freedom if people can't afford them.

It is true, of course, that at any point in time an individual's purchasing power is relatively fixed. The most he can do, for the time being, is redirect his resources.

But time passes. In a free society, more goods and services are constantly being brought to the market. And in a free society, people may work, save, and invest so as to accumulate wealth. With the passing of time—if producers and consumers are free—the poor can afford more than ten gallons of gas. In the long run, freedom matters especially for the poor.

Unfortunately, many poor people fail to perceive the fertility of freedom. Concentrating on short term gains, they tend to be more interested in the purchasing power they lack than the freedom they may have. This shortsightedness is encouraged by welfare programs that promise immediate gratification—while they destroy the conditions which promote long range production.

Opportunities Overlooked

These arguments in terms of production are buttressed by a seminal observation of Israel M. Kirzner: People tend to notice opportunities that they are free to pursue. Freedom inspires discovery.

For instance, one reason the American colonists discovered new production techniques is simply that they were free to try them. They were free to pursue alternatives, thus creating new options for their fellowmen. This reinforces our previous assertion: In terms of peaceful activities, freedom begets more freedom and more power.

By the same token, Kirzner points out, when an option is precluded, people tend to overlook it. Poor people living under fuel rationing tend to overlook employment opportunities that would, in the absence of ra-

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tioning, enable them to buy more fuel. Similarly, when businessmen are legally prohibited from carrying first class mail, they don't perceive alternate means of delivery. It takes a lifting of legal prohibitions for people to notice such opportunities.

Because precluded options go unnoticed, opponents of government interventions often fail to gain public support. For instance, at rent control hearings landlords are greatly outnumbered by their tenants. Absent, however, are prospective tenants who don't realize that controls are preventing them from getting apartments. Also absent are potential landlords and builders who, if controls were repealed, would perceive that apartments are opportunities for investment.

No Precise Measure of the Costs of Intervention

No one can identify these unwitting victims of intervention. In fact, many of the victims, because they don't realize that their opportunities are being restricted, may be ardent supporters of the interventions that bring them the most harm. For instance, an unemployed teenager may support the minimum wage law that prevents him from starting a career.

The intellectual defenders of freedom also operate at a seeming disadvantage. Because precluded options go unnoticed, defenders of freedom can never completely list all the opportunities people have lost. For instance, how many apartments have never been built because of the threat of rent controls? How many jobs have been eliminated by minimum wage legislation? How many systems of private mail delivery have been precluded by the government's legal monopoly? How many options have been destroyed by government intervention?

For the same reason, economists can never measure all the purchasing power destroyed by government intervention. They have no way of knowing what productive opportunities were never tried—or even perceived—because they were precluded by taxes and regulations.

But these disadvantages are more spurious than real. The case for freedom does not rest on lists of lost opportunities and estimates of lost purchasing power. It rests, in the final analysis, on moral principles. When people reject power gained at the expense of another person's freedom—when they are convinced that coercive intervention in peaceful activities is immoral—freedom will prevail.

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Wm. Cullen Bryant

On Usury Laws

THE FACT that the usury laws, arbitrary, unjust, and oppressive as they are, and unsupported by a single substantial reason, should have been suffered to exist to the present time can only be accounted for on the ground of the general and singular ignorance which has prevailed as to the true nature and character of money. If men would but learn to look upon the medium of exchange, not as a mere sign of value, but as value itself, as a commodity governed by precisely the same laws which affect other kinds of property, the absurdity and tyranny of legislative interference to regulate the extent of profit which, under any circumstances, may be charged for it would at once become apparent.

The laws do not pretend to dictate to a landlord how much rent he may charge for his house; or to a merchant what price he shall put upon his cloth; or to a mechanic at what rate he shall sell the products of his skill; or to a farmer the maximum he shall demand for his hay or grain. Yet money is but another form into which all these commodities are transmuted, and there is no reason why the owner of it shall be forbidden to ask exactly that rate of profit for the use of it which its abundance or scarcity makes it worth—no reason why the laws of supply and demand, which regulate the value of all other articles, should be suspended by legislative enactment in relation to this, and their place supplied by the clumsy substitute of feudal ignorance and worse than feudal tyranny....

Such attempts have always been, and always will be, worse than fruitless. They not only do not answer the ostensible object, but they accomplish the reverse. They operate, like all restrictions on trade, to the injury of the very class they are framed to protect; they oppress the borrower for the advantage of the

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lender; they take from the poor to give to the rich. How is this result produced? Simply by diminishing the amount of capital, which, in the shape of money, would be lent to the community at its fair value, did no restriction exist, and placing what is left in the most extortionate hands....

But usury laws operate most hardly in many cases, even when the general rate of money is below their arbitrary standard. There is an intrinsic and obvious difference between borrowers, which not only justifies but absolutely demands, on the part of a prudent man disposed to relieve the wants of applicants, a very different rate of interest. Two persons can hardly present themselves in precisely equal circumstances to solicit a loan. One man is cautious; another is rash. One is a close calculation, sober in his views, and unexcitable in his temperament; another is visionary and enthusiastic. One has tangible security to offer; another nothing but airy one of a promise. Who shall say that to lend money to these several persons is worth in each case an equal premium?

Should a person come to us with a project which, if successful, will yield an immense return, but, if unsuccessful, leave him wholly destitute, shall we not charge him for the risk we run in advancing his views? The advocates of usury laws may answer that we have it at our option either to take seven per cent or wholly refuse to grant the required aid. True; but suppose the project one which is calculated, if successful, to confer a vast benefit on mankind. Is it wise in the legislature in such a case to bar the door against ingenuity, except the money lender turns philanthropist and jeopards his property, not for a fair equivalent, but out of mere love to his fellow man?

The community begin to answer these questions aright, and there is ground for hope that they will ere long insist upon their legislative agents repealing the entire code of barbarous laws by which the trade in money has hitherto been fettered.

William Cullen Bryant (1794–1878) was born at Cummington, Massachusetts. He was the young Republic's first distinguished poet, best known, perhaps, for his youthful composition, "Thanatopsis." He was also a journalist, editor, and reformer—19th century liberal variety. His *Poetical Works* and *Complete Prose Writings* were collected and edited shortly after his death by Parke Godwin.

Excerpted from an item in the New York *Evening Post,* September 26, 1836, reprinted in Joseph L. Blau, ed., *Social Theories of Jacksonian Democracy* (Indianapolis: Bobbs Merrill, 1954), pp. 208–10.

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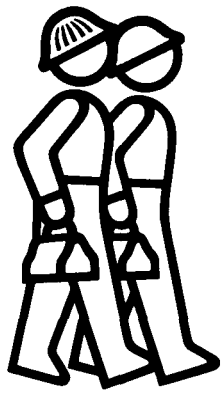

Clarence B. Carson

Unions as an Established Religion

JUST what sort of organizations labor unions are is not only an intriguing but also an important question. It is a question which assumed much more importance after the United States government empowered them in the 1930s. By that empowerment they became legal entities, but what sort of entities was left in doubt. Congress did attempt to define them, but the definition was in terms of their composition and purpose, not of their nature or essence. Nor have economists or historians done much by way of clarifying their basic nature as organizations. Students and critics alike have tended to assume they are what they claim or appear to be.

Customarily, modern labor unions have been traced backward to their antecedents in the Middle Ages, the medieval guild. There are some similarities between the medieval guild and the modern labor union, but they are mostly superficial. Some medieval guilds were organizations of craftsmen. In this, they did resemble the modern trade union which is organized along the line of trades, skills, and arts. They were organized, too, to restrict entry into the craft. They did so, in the first place, by requiring years of apprenticeship and supervised work before the attainment of independent status as craftsmen. More broadly, as the Dutch historian, Henri Pirenne, pointed out, the craft guild's "essential aim was to protect the artisan, not only from external competition, but also from the competition of his fellow-members. It reserved the town market exclusively for him, closing it to foreign products, and at the

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same time it saw that no members of the profession grew rich to the detriment of the others."[1] In their monopolistic and egalitarian emphasis the guilds resembled labor unions.

But basically guilds were different from modern labor unions. Craft guildsmen were fundamentally *merchant* craftsmen. Although they did work at their crafts, they were organized primarily as merchants rather than as workmen. Their monopoly was of the sale of their products in a given jurisdiction, not of their labor. They were shoemakers, hatters, bakers, butchers, tailors, pewterers, and so forth, and they dealt directly with their customers.[2] The guilds were different, too, in that they were corporations; whereas, the modern labor union is not ordinarily incorporated. (Medieval corporations usually had a monopoly within a given jurisdiction; whereas, modern corporations may or may not have a monopoly.) Above all, it should be made clear that craft guildsmen were capitalists, though on a small scale, and they were not in any sense organized against employers, management, or capitalists.

Medieval Craftsmen

The craft guilds fitted within a medieval framework of specialization, status, regulation, and class. Their locus was the city or town within which they were incorporated. They were the craft counterpart of clergymen, knights, export merchants, and others. They were fraternal organizations within the social and religious setting of their age. As one history puts it, "The gilds were also religious associations, benefit societies, and social clubs. . . . Gildsmen attended the funerals of deceased members, and tried to care for their families. They kept candles burning in the chapel of their patron saint, and often hired special chaplains to say Masses for the repose of the souls of their dead colleagues."[3] In short, the craft guild was a medieval institution. It was a medieval mode for containing a commercial activity so that it would not become competitive and expansive. It was no more like a modern labor union than a knight in armor is like a twentieth century soldier.

True, there are some relics of the craft guilds to be found in the modern union, but they tend to conceal rather than reveal the nature of the modern union. The guild was the result of pressing yet another order of men into the medieval mold. The labor union is the leading edge of a militant collectivism aimed at fundamentally altering the prevailing order. This does not tell us what labor unions are, as organizations, but it focuses our attention in a direction where we may be able to discover the answer. Labor unions have

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never come close to comprising all those working people whom they claim as their clientele. They are, then, a portion of a whole, or, more precisely, several portions usually, since there have been divisions among unionists. In religious terminology, they are a *sect,* or several sects. And it is as a religion that they are now to be considered.

Moral Imperatives

The idea of unionism as a religion first occurred to me after reading an article in a historical journal. The article dealt with the use of appeals drawn from nineteenth century Protestant evangelism by union leaders. The author was concerned with the influence of certain religious ideas on unionism rather than with unionism as a religion. His main conclusion was that "Prophetic Protestantism offered labor leaders and their followers a transhistoric framework to challenge the new industrialism and a common set of moral imperatives to measure their rage against and to order their satisfactions."[4] These observations prompted my thinking along a somewhat different path.

The question that occurred to me was this: What if unionism is a secular religion? If it is, then, it has to be an established religion, for there is no doubt that labor unions were established by their empowerment in the 1930s. But whether or not unionism is a religion is the crucial question for which evidence of establishment provides no proof.

The burden of proof clearly rests on anyone who asserts that it is. It cannot be assumed. It is not generally accepted, or even alleged. It is not self-evident. Moreover, much of the evidence for it becomes evidence only when the connections have been made. Yet a strong case can be made that unionism is a religion, or, more precisely, religion-like, and that labor unions are esentially organized around a set of beliefs. And, when unions are viewed in this light, their basic character does begin to emerge.

Perhaps, the best approach to the religion-like character of unionism is through the feel of it. Unionism *feels* like a faith. It is something in which one *believes* or does not believe. The *feeling* of the unity of the working class has been its touchstone. "An injury to one is an injury to all" has been the phrase most commonly used to describe the "proper" attitude of a union man. An interesting sidelight on this occurred at the founding convention of the Industrial Workers of the World (I.W.W.) at Chicago in 1905. Amidst the revolutionary fervor of the proceedings, one of those present rose to question the accuracy of the phrase. He pointed out that an injury to one worker, or even to one group of workers, need not be an in-

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jury to all. Of course, he was silenced.[5] The Arian challenge about the divinity of Christ was at least entertained at the Council of Nicaea in 325; not so, reasonable objections to a primary article of faith of unionists in Chicago in 1905.

Missionary Zeal

The missionary character of union organizing work has sometimes been noted. One writer points out that "During the nineteenth century union organizers were often called 'missionaries'. . . . Nowadays, in the interest of greater accuracy, the term has been dropped. . . ."[6] But another writer declares that "Even in more current times, the motive power for new unionism is provided by men and women whose main drive is the spreading of the gospel of unionism."[7] The parallel with missionary work shows in this description by one organizer of his work: "Half of the mornings I would be up at a factory gate before 7 A.M. . . . distributing leaflets. . . . Each such morning was an experience; you didn't know whether the look you got from a passing worker indicated hostility, agreement, indifference, or what. A certain percentage always refused the leaflet . . ., others took them and ostentatiously tore them up. Always, however, there was a smiling face and one or two people who wished you luck. After a while you were able to strike up a conversation with some of them. . . . The idea was to form a nucleus of five or ten people, call them to a meeting . . . and let them do the recruiting from the inside."[8] The term "conversion" was sometimes used to describe what had happened to those who had come to believe in unionism.

Ideology as Religion

But the main proof of the religion-like character of unionism is in its dependence upon and relationship to ideology. Ideology is, if not *the* religion of modern man, the contemporary religion of many people. For some, secular ideologies have entirely supplanted transcendental religion. For others, they have come to supplement traditional religion so as to reduce it largely to the status of a relic. And for almost everyone, the pervading intellectual outlook is temporal, secular, and this-worldly. Ideologies fill the place vacated by traditional religious belief and tend to provide such religion as many people have.

The onset of ideologies which supplanted or supplemented transcendental religion was signaled by the appearance of numerous "isms" in the nineteenth century, such as, socialism, conservatism, liberalism, transcendentalism (man's transcendence), communism, capitalism, Darwinism, materialism, scientism, progressivism, and so on. Not all of these were fullfledged ideologies, but

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the tendency in that direction was indicated by the attaching of the suffix "ism" to words.

Leaders as Ideologues

Unionism might have been an ideology itself, distinct and independent of all others. For some, it may have been. A case can be made that the ideology of Samuel Gompers, longtime head of the American Federation of Labor, was unionism. One labor historian describes his attitude this way: "The trade union's purpose was to maximize the price of labor through collective bargaining. . . . For the worker the supreme loyalty must be to the union; for the union supreme loyalty must be to the economic advancement of the worker. For the organization must be exclusive, uncontaminated—'pure and simple.' Nonworkers who intervened in union affairs were meddlers. . . ."[9] If William Green, who succeeded Gompers as head of the A.F. of L., was anything other than a unionist the fact has not come out. Indeed, the list of union leaders who were ideological unionists, if ideologues at all, should include John L. Lewis, William L. Hutcheson, such Teamsters as Dave Beck and Jimmy Hoffa, and, in more recent times, George Meany. Such unionism, too, falls considerably short of being a religion.

But unionism in America is not an independent ideology, not usually, not historically, and not in those dogmas which are necessary to its general acceptance. It is not that "pure and simple" unionism would not succeed sometimes as a basis of organization and in the advancement of some particular group of workers. William L. ("Big Bill") Hutcheson demonstrated the potentialities of such unionism with the Carpenter's union which he headed for several decades. He was a huge man who was determined to and did become master of his domain. His domain, in his view, included all who worked with wood or with materials that had been substituted for wood. His jurisdictional battles were legendary, and his domination of those under him was rarely questioned. "His world was seen through the narrow-angle lens of the union's interests; his only concern was with what was good for the Carpenters, not with what was good for the labor movement, workers in general, or America."[10] The anti-social character of his unionism was apparent to all who would see it. Moreover, it is highly doubtful that he could have succeeded to the extent that he did without the protective coloration drawn from another ideology and which was coming generally to prevail.

Unionism is a derivative ideology; it derives from and depends upon socialism. Its collectivism finds its justification in socialism. The crucial

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doctrines of class consciousness and the class struggle derive from socialism. Socialist ideology provided the protective coloration for union advancement of the interests of particular groups.

Influenced by Socialism

One way to examine the dependence of unionism on socialism is through the influence of socialism on union leaders over the years. That is larger than is generally recognized.

Even Samuel Gompers, accepted in his day as being among the most conservative of union leaders, was influenced by socialism. He heard the doctrines of socialism from German and Hungarian immigrants who worked alongside him making cigars in New York City.[11] He also studied them on his own.[12]Gompers disavowed the utopianism of socialism and steered clear of militant class struggle rhetoric, but Theodore Draper holds that the Marxist influence might be the key to his opposition to union involvement in politics.

There were two prominent strains in socialism in the United States in the 1870s and 1880s, one stemming from Lassalle and the other from Marx. Marx opposed the political road to socialism, while Lassalle favored it. Out of this ferment came "ex-Socialists and former Socialist sympathizers who moved from trade-union socialism to trade unionism without socialism. Two cigar makers, Adolph Strasser and Samuel Gompers, traveled this road from socialism to 'pure and simple' trade unionism. The American Federation of Labor, which they were largely instrumental in forming in 1886, in part grew out of the reaction against political unionism."[13] At any rate, the influence of socialism was there at the inception.

With many other labor leaders, there was no doubt of their commitment to socialism. Eugene Debs, quadrennial candidate for President on the Socialist ticket, organized the American Railway Union in 1893. Although his conversion to socialism was subsequent to this, his position on the relationship between unionism and socialism is made clear in the title of a book he published in 1904: *Unionism and Socialism, a Plea for Both*. He was a prominent figure at the organizing convention of the IWW and for several years thereafter in its work. Daniel De Leon, head of the Socialist Labor party was also a union leader and an important spokesman at the founding of the IWW. William D. ("Big Bill") Haywood, longtime leader of the IWW was so radical that he was expelled from the executive committee of the Socialist party in 1913.[14]

David Dubinsky, leader of the International Ladies Garment Work-

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ers Union, was an enthusiastic socialist before he became a union leader. He was born in Czarist Russia, made his way to the United States in 1911, and within days of his arrival joined the Socialist party. For several years thereafter, his main interest was socialist activities.[15] Sidney Hillman, leader of the Amalgamated Clothing Workers and eventual confidant of President Franklin Roosevelt, was a Russian by birth and a socialist in his early life also. Indeed, in Russia, he had been a Menshevik, the less violent of the Marxist Communist parties.[16] Homer Martin, the president of the United Auto Workers who took the union into the CIO, was under the influence—perhaps, domination would be nearer the mark—of Jay Lovestone. Lovestone was an anti-Stalinist who formed his own small Communist party.[17] The socialist background of Walter Reuther, long a leader in the UAW and CIO, may be better known. His father was a socialist, and he trained his sons to follow in his footsteps. Walter and Victor were members of the Socialist party, and Walter only finally resigned from it to become a Democrat in 1938.[18]

"Fellow Travelers"

A goodly number of union leaders were Communists, or closely associated with them, particularly in the 1930s and 1940s. This was the case with Harry Bridges of the Longshoremens,[19] Michael Quill of the Transport Workers Union, and Joseph Curran of the Maritime Workers Union.[20] Lee Pressman, who served as General Counsel for the CIO, had joined the Communist party in 1934 and left it in 1935, according to his statement.[21] Len DeCaux, editor of the CIO *News* in the 1930s was characterized by Eugene Lyons as a "Fellow Traveler" of the Communists.[22] John L. Lewis used Communists with reckless abandon in organizing the CIO, and Philip Murray, who succeeded him as the head of the organization, did little to disturb their entrenched positions in many unions.[23] Murray, incidentally, had been influenced by the British Fabian socialists, Sidney and Beatrice Webb, in his conception of unions.[24]

Many more names could be given and connections made, but the above should be enough to make the point. My point, of course, is to show that unionism is lineally connected to socialism, that the modern labor union was in considerable measure the offspring of socialism, and that socialists gravitated toward unions and union work. (It should go without saying that it is no part of my purpose to indict people for their beliefs or associations, but since there are those who do, it probably needs saying.)

The role of unions for radical so-

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cialists has been described this way: "To be sure, revolutionary class consciousness . . . must await the capitalist crisis that would prove the inability of the economic system to meet the workers' needs. Prior to the crisis, however, political and trade union activity prepared the workers organizationally and ideologically for the conflict that would result in great social changes. Radicals were to enter the trade unions in order to win over workers to the ideas of socialism, but also to encourage militant struggles for immediate demands."[25]

The Religion-like Nature of Socialism and Unionism

The place of socialism in unionism varied greatly, of course: for some it was the springboard into unionism; for others the unions were simply a means of moving toward socialism; for yet others socialism had only provided a framework for unionism of which they may have been more or less conscious. Many individual union members are probably not aware at all of the socialist assumptions which inform unionism.

My broader point is this. Socialism is a religion, or is religion-like, and unionism by derivation is also religion-like. Socialism is religion-like because of its vision of creating a heaven-on-earth. Bertram D. Wolfe concluded the following about Marxism:

> In an age prepared for by nearly two thousand years of Christianity with its millennial expectations, when the faith of millions has grown dim, and the altar seems vacant of its image, Marxism has arisen to offer a fresh, antireligious religion, a new faith, passionate and demanding, a new vision of the Last Things, a new Apocalypse, and a new Paradise.[26]

Other varieties of socialism, such as gradualist or democratic, may hold forth the vision less dogmatically, yet they, too, are religion like in their faith. The vision, linked with its unionist thrust, was articulated this way at the founding convention of the IWW:

> The road is no doubt long and weary, many centuries have passed before us; centuries of slavery, degradation, misery and disease. Never before have all the forces been present and all the materials at hand to release the world from economic slavery. . . . When such a transformation has occurred results which would be considered by the early Utopians as wild and chimerical will be realized. . . .[27]

Once the view that labor unions are religion-like organizations is accepted, they come into focus, as they never do from any other angle. They are usually advanced as being economic organizations and, sometimes, also as political organizations. But they are not economic organizations: they produce nothing; they transport nothing; and they

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sell nothing. They are *dis*-economic organizations. If economy be understood as comprising those actions which are aimed at making available the greatest quantity of goods and services that are most wanted with the least expenditure of the means of production, i.e., land, labor, and capital, then labor unions do not fit into it. Their thrust is in the opposite direction, to raise the price of labor, to restrict the ways in which the means of production may be employed, and thus to increase the cost of production. A corporation is an economic organization; a labor union is some other kind of organization.

Not Primarily Political

Nor is the labor union primarily a political organization. That is not to say that labor unions may not engage in political activities, which they do from time to time, but rather to note that the political effort must always be subordinated to the sectarian interests of their members, else they will consider themselves to have been betrayed. The tangles in which the British Labour governments have been caught when they have attempted to deal with unions illustrate the point well. But, at any rate, labor unions are not basically political organizations in the United States.

Labor unions are religious, or religion-like, organizations, and, as I say, once this is grasped they come into focus. Their immediate goals are ethical in character; their ultimate goals are religious. Their economic claims are ethical in character: this is so whether they are pressing for higher pay or dealing with particular grievances of their members. Their political activity has as its purported end the attainment of conditions within which they can successfully press their ethical claims. It is quite possible that both union ethics and religion-like beliefs can be subjected to withering criticism, but that is another matter. What I am doing here is to establish that they are ethical and religion-like organizations, and, having done so, to show where they belong in our system.

As a religion, unionism comes clearly into focus under our constitutional law. The First Amendment to the Constitution declares that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof. . . ." Historically, the prohibition has two aspects. First, since the United States had no established church or religion when the Constitution was written, it effectually prohibits the establishment of any by the United States government. Second, since some states did have established churches, it prohibited Congress to interfere with these, or such as states might thereafter establish, for it prohibits Con-

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gress to make laws *respecting*, i.e., in regard to, "an establishment of religion."

Note, too, that it is *religion* that Congress is prohibited to establish, the most comprehensive way of describing what they were after. This was deliberate. The amendment as it was originally passed by the House and Senate, each acting separately, read this way:

> Congress shall make no law establishing articles of faith, or a mode of worship, or prohibiting the free exercise of religion, or abridging the freedom of speech, or the press, or the right of people peaceably to assemble, and petition to the government for the redress of grievances.[28]

Two major changes were made by the conference committee on this amendment before it was approved and sent to the states. One was the substitution of "respecting an establishment of religion" for "establishing articles of faith, or a mode of worship."[29] The other change was more subtle but hardly less important. It substituted semicolons for three of the commas in the original proposal. Thus, that part of the amendment dealing with religion is separated from speech and press by a semicolon, as are assembly and petition from the other two sections.

The amendment, as originally drawn, was a rather narrow effort to guarantee that the new government would not tamper with what were called at that time, "the rights of conscience." Conceivably, it could have been construed to apply only to matters of faith and belief. The changes greatly broadened what was prohibited and by separating the rights protected from one another by stronger marks of punctuation tended to universalize them. And, what is most germane here, it prohibited the establishment of religion.

Establishing Unionism as an Official Religion

When Congress empowered labor unions in the 1930s, it transgressed the prohibition against establishing religion. It went far toward establishing unionism as an official religion. For example, in the Wagner Act of 1935 Congress proclaimed as correct doctrine what is in fact union dogma. To wit:

> The inequality of bargaining power between employees who do not possess full freedom of association or actual liberty of contract, and employers who are organized in the corporate or other forms of ownership association substantially burdens and affects the flow of commerce, and tends to aggravate recurrent business depressions, by depressing wage rates and the purchasing power of wage earners in industry and by preventing the stabilization of competitive wage rates and working conditions within and between industries.[30]

More important, it gave labor

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unions standing which can be fruitfully compared with that of established churches. An established church is one which has special standing before the government. It has been granted special privileges, may have a monopoly within a state or country, and enjoys the protection and support of the government. While the Catholic church had some of the attributes of an established church in Medieval Europe, the species took on its full form during the Protestant Reformation. The Medieval church did not consider itself to be a creature of any or all of the states; on the contrary, it preferred the position that the state was a creature of the church. Not so, however, the churches that were established during the Reformation. In many countries and principalities, the religion of the prince was to be the religion of his subjects. The Peace of Augsburg of 1548, which dealt with Germany, provided that the "princes and governments of the Free Cities were to be allowed to choose between the Roman and the Lutheran faith, but their subjects must either conform to this faith . . . or emigrate."[31] In England, the king became head of the church as well as head of the state.

Of course, the parallels between established churches and established unions are not exact. Still, there are some highly suggestive similarities. In both cases, the government did the establishing, or recognition and protection. True, during the Reformation, it was the prince who made the decision; nowadays the decisions for unions are made by majorities. But the former was in the days of the divine right of kings; whereas, we live in the age of the divine right of majorities. The industrial strife of the nineteenth and twentieth centuries parallels the religious wars of the sixteenth and seventeenth, and if the full thrust of socialism and the attendant wars is added to the computation the more recent conflicts have been even bloodier than the earlier ones. Churches often have had their canon law; labor unions, by contrast, live under administrative law. And, no Holy Synod has ever scrutinized with greater care the articles of faith than does the National Labor Relations Board, the rules which emerge from its decisions.

The Use of Compulsion

Perhaps, the most crucial similarity between established churches and established unions lies in the use of compulsion. Established churches were supported by compulsory tithes and taxes, often collected by the government. Unions are supported by dues which become compulsory for all workers where a union has been established. Attendance at the established church was frequently required of all inhabi-

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Laissez Faire

THE medieval epoch was finished. Individualism was exalted to a way of life. The foundations of modern capitalism were laid. The powers of government were limited. Free enterprise began. In pursuit of his economic ends, on his way to transform the world, European man was released from the restraints and sanctions imposed upon him both by the ecclesiastical tyranny and a vast bureaucratic system of administrative law. . . .

The two ancient enemies of *laissez faire* were the state and the church. *Laissez faire* represented the principle of radicalism in both religion and economics. Radicalism was the sword of liberty. Neither the state nor the church has ever loved liberty.

GARET GARRETT, from the Winter 1949 issue of *American Affairs*

tants. In the nature of things, church membership was not compulsory, but many advantages were attendant upon it. Where the union is established, all workers must accept the union as bargaining agent, whether they belong or not. Churches excommunicated; unions expel recalcitrant members. No one was supposed to have relations with an excommunicated person. Expelled union members ordinarily only lose their jobs. The Medieval Church could lay regions under interdict, thus denying religious services to people in the area. National unions have been known to pronounce unions as being outside the fold and thus their members to be treated as non-union workers.

The main argument for an established church was that effective government over a people required that they all be of the same faith and belief. The main argument for established unions is that they must be united in order to accomplish their ends. Underlying both these arguments is the idea of a common enemy, or enemies who have to be met and overcome. For Reformation churches, it was other princes, rulers of different faiths, and, ultimately, no doubt, a wily Satan. For labor unions, it is capitalists who will overwhelm them if they are not united.

In sum, unionism is an ideology. It is an ideology which arose from and was enlivened by a religion-like

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ideology, socialism. When government empowered unions, it established a religion, in effect. When unions were permitted to use compulsion and to have the compulsion of government used for them, they took on the semblance of established churches. This way of looking at them brings them within the framework of historical understanding. There is no reason to believe that when James Madison drafted the First Amendment that he thought either religion or churches were an evil. The evil he sought to prevent was government establishment. Could anything less be said of labor unions?

—FOOTNOTES—

[1]Henri Pirenne, *Economic and Social History of Medieval Europe* (New York: Harcourt, Brace and Co., 1937), p. 183.

[2]*Ibid.*, p. 186.

[3]James W. Thompson and Edgar N. Johnson, *An Introduction to Medieval Europe* (New York: Norton, 1937), p. 594.

[4]Herbert G. Gutman, "Protestantism and the American Labor Movement: The Christian Spirit in the Gilded Age," *American Historical Review*, vol. 72, p. 83.

[5]See *Proceedings of the Founding Convention of the I.W.W.* (New York, Merit Publishers, 1969), pp. 245–46.

[6]Robert R. R. Brooks, *When Labor Organizes* (New Haven: Yale University Press, 1937), p. 9.

[7]Jack Barbash, *The Practice of Unionism* (New York: Harper & Bros., 1956), p. 19.

[8]Sidney Lens, *Unrepentant Radical* (Boston: Beacon Press, 1980), pp. 206–07.

[9]Irving Bernstein, *The Lean Years* (Boston: Houghton Mifflin, 1960), p. 91; see also, Irving Bernstein, "Samuel Gompers and Free Silver, 1896," *Mississippi Valley Historical Review*, vol. 29, p. 394.

[10]Bernstein, *The Lean Years*, p. 112.

[11]See Samuel E. Morison and Henry S. Commager, *The Growth of the American Republic*, vol. II (New York: Oxford University Press, 1942), p. 157.

[12]See Ida M. Tarbell, *The Nationalizing of Business, 1878—1898* (New York: Macmillan, 1936), p. 156.

[13]Theodore Draper, *The Roots of American Communism* (New York: Viking, 1957), p. 12.

[14]See *Ibid.*, pp. 45–46.

[15]See Irving Bernstein, *Turbulent Years* (Boston: Houghton Mifflin, 1969), pp. 78–79.

[16]*Ibid.*, p. 68.

[17]*Ibid.*, pp. 555–56.

[18]*Ibid.*, pp. 558–59.

[19]*Ibid.*, p. 259.

[20]Eugene Lyons, *The Red Decade* (New Rochelle, N.Y.: Arlington House, 1970), p. 223.

[21]Bernstein, *Turbulent Years*, p. 452.

[22]Lyons, *op. cit.*, p. 225.

[23]*Ibid.*, pp. 221–22.

[24]Bernstein, *Turbulent Years*, p. 445.

[25]Stanley Aronowitz, *False Promises: The Shaping of American Working Class Consciousness* (New York: McGraw-Hill, 1973), p. 3.

[26]Bertram D. Wolfe, *Marxism* (New York: Dial, 1965), p. 369.

[27]*Proceedings, op. cit.*, pp. 141–42.

[28]Robert A. Rutland, *The Birth of the Bill of Rights* (New York: Collier Books, 1962), p. 215.

[29]See *Ibid.*, p. 218.

[30]Henry S. Commager, *Documents of American History*, vol. II (New York: Appleton-Century-Crofts, 1962), p. 314.

[31]Preserved Smith, *The Reformation in Europe* (New York: Collier Books, 1962), p. 107.

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Writing for Fortune

AMERICAN business, in the early Nineteen Thirties, was definitely under the gun. Mencken and Sinclair Lewis had, for a decade, been undermining it with their satire: the figure of Babbitt stood out among the booboisie, and it was a moot point whether Ivar Kreuger, the Swedish match king, or Samuel Insull of Chicago was the greatest villain. The depression completed what the satirists had begun, and when Franklin D. Roosevelt took off against the economic royalists, nobody outside of the Liberty League dared say him nay. The Liberty League was naturally dismissed as an interested party.

Like practically everyone of my college generation I joined the anti-business procession. The mood was certainly pervasive—even Henry Hazlitt and Elmer Davis supported Norman Thomas, the socialist candidate for President, in 1932, rationalizing their action as a "protest vote."

Who among theorists was prepared to defend old economic values at the time? Carl Snyder, maybe, and Garet Garrett. But the Austrians hadn't yet come to our shores; there was, as yet, no Ludwig von Mises seminar in New York. "Planning" was the by-word in *The New Republic* and *The Nation,* and George Soule, Stuart Chase and Rexford Tugwell were, in Tugwell's phrase, busy "rolling up their sleeves to make America over."

It would be a long time before the "freedom philosophy," as a theory, was to have its principled defenders. But a strange thing happened to some of us. A beetle-browed man named Henry Luce, the son of a Christian missionary to China, had, during the last days of the Coolidge boom, planned a magazine of business that was to be called *Fortune.* Ironically, its first issue, dated February 1930, hit the mails just when the stock market collapse of October 1929 was being felt.

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The Luce Adventure

Luce had a philosophy, all right, but his interest in journalism was predominantly an interest in facts. The facts were flippantly exploited in his news magazine, *Time*. For *Fortune* he wanted something different—a magazine that would, with proper gravity, treat business as an adventurous drama, something worthy of the efforts of good men. That was all he had in mind at the start—the first editorial expression of a point of view in the magazine came in Roosevelt's second term, when Russell Davenport, the managing editor, started a monthly department called Business and Government.

I went to work for *Fortune* in 1936 still filled with the average New York City intellectual's scorn for the businessman. Nobody tried to convert me to anything: the idea, as Luce said, was that the "profit system was a fact, not a cause," and we were supposed to set forth the "fact" with vividness and accuracy, letting the reader draw his own philosophic conclusions.

How it all worked out is animatedly set forth in a book brought out on the fiftieth anniversary date of the Luce adventure. Nineteen authors who had worked in the Luce vineyard were asked to contribute their reminiscences for a volume called *Writing for Fortune (Fortune* Magazine, Time-Life Building, Rockefeller Center, New York, N.Y. 10020, 194 pp., $15.00). They carried out the assignment each on his own, with a minimum of editing. Amazingly enough there is little repetition. Sometimes the effect of writing for *Fortune* had radically different results—J. Kenneth Galbraith and myself had much the same exposure to the "facts" of corporate America, but we might as well have been investigating the industrial life of different planets. But Galbraith and Dwight MacDonald are the only two contributors out of nineteen whose exposure to the "corporation story" failed to mitigate the socialistic biases that were, at the start, almost universally part of the intellectual baggage of the fledgling *Fortune* writer of the Thirties, Forties and Fifties.

More Imaginative Writing

Luce's feeling, adequately buttressed by the examples he saw all around him in the Twenties, was that business writers lacked the imagination to do justice to their subject. But where to turn for a different type of writer? The intellectual Left hated business. Of intellectuals in general, Luce said "Everything about business which does not actually offend them bores them."

If intellectuals didn't promise much, maybe poets would do. Or imaginative writers, novelists not

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interested in ideology or party-line politics. Poets and novelists would be alive to the color and drama of what General Hugh (Old Iron Pants) Johnson called the "savage poetry" of business competition.

The early *Fortune* mastheads are revealing. The editors included Charles Wertenbaker, Green Peyton, Robert Cantwell, Edmund Gilligan and James Gould Cozzens, all novelists. Jim Agee, another editor, was a well-known poet. John Davenport, a poet in college, could spout Yeats by the yard. Louis Kronenberger, an esthete with little interest in politics, would go on from a *Fortune* career to be a first-rate dramatic critic. Jack Jessup came out of an advertising agency to adapt his incomparable slow ball to corporate stories that blithely ignored the advertising space salesman.

Russell Davenport's Influence

Arch MacLeish, Pulitzer poet, was the acknowledged *Konzertmeister* of the early staff. Russell Davenport, the managing editor during most of the eight years I spent as a *Fortune* writer, had devoted hours to tinkering with *terza rima,* his favorite verse form. His only defect as a managing editor was his practice of rewriting big sections of stories. Since his own style was so distinctive, the presence of his interjected paragraphs played havoc with the tonal unity of an article. Charles J. V. Murphy, no mean stylist himself, resented the two-toning of his prose.

Lest the strange crew that Luce had assembled to dramatize business should fail to respect facts, the female researchers, many of whom had had actual business experience, stood ready to curb the more florid departures from prosaic reality. The system seemed to work. It not only produced good business stories, it also helped cross-fertilize the articles on the mixed economy that had become the prevailing mark of the Rooseveltian decade. Russell Davenport's business-and-government editorials "leaked" by any strict libertarian's standards when it came to criticizing what was going on in Washington, D.C. But, in their tentative way, they foretold that a period of questioning the role of the State in economic decisions would not be long in coming.

For myself, the experience of visiting factories, mines and board rooms left me open to the arguments of a Hayek *(The Road to Serfdom),* a Mises *(Socialism),* an Isabel Paterson *(The God of the Machine),* a Rose Wilder Lane *(The Discovery of Freedom),* when the philosophical backlash to the Keynesian and Marxian theories came in the Nineteen Forties. *Fortune* gave me insight into the creative experience that I would never have had if I had remained in the tight little world of the Manhattan intellectuals.

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EMPIRE OF THE MASSES: THE DECLINE OF TASTE IN AMERICA
by Fred DeArmond
(Dorrance & Co., 35 Cricket Terrace, Ardmore, PA 19003), 1980
146 pages ■ $6.95 cloth

Reviewed by Vera Brubaker Thompson

ANY citizen beyond his teens must be aware of negative factors threatening the usual pleasant pace of life to which most of us have become accustomed. What has gone wrong? Where are all those bright dreams every American child had, and expected to see materialized?

The tarnished ideals, the despair, the default of those who pilot the ship of state, the plunge in international prestige, economic uncertainties, all reflect the decline of taste observed by Fred DeArmond in *Empire of the Masses*.

"If America as champion of the West should come out a loser," the author warns, "future historians may assess the cause to have been corruption of the high spirit that made us great, accompanied by the demise of good taste."

The standard of middle-class living is incredibly high, civil rights seem to have made every man a king, and what is called education is practically a universal possession, the author writes, but "The paradox is that at the same time popular taste is the lowest it has ever been and the anti-cultural forces are rebarbarizing our proud civilization."

The book is studded with quotations of eminent observers to support the points of the book's thesis. For example, "At least one American saw this intellectual bankruptcy coming. When he was at the peak of his critical zeal as editor of the *American Mercury,* Henry L. Mencken said that it was 'impossible to overestimate the low taste of the American public.' "

Universal free schooling was once regarded as a panacea. With what result? According to the College Entrance Examination Board, test scores of graduating seniors in 1975 showed a drop for the twelfth consecutive year . . . ten points lower in verbal skills and eight points lower in mathematical skills than the high school graduates of the preceding year.

Academic degrees are commonplace, but ignorant skepticism and blind credulity shackle the mass mind: "There are sizable numbers of men and women with college degrees who accept only selectively and with reservations the Ten Commandments and the Constitution of the United States. They believe there is no limit to how far the federal government can go in printing money and distributing it among the proletariat . . . They are skeptical when conventional wisdom points

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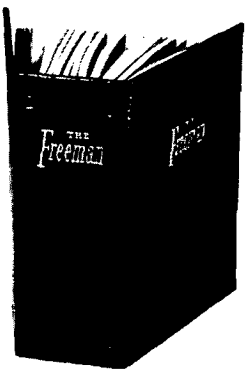
to belief, and credulous of the most monstrous fallacies when presented plausibly and perhaps linked to ingrown prejudices."

The author paraphrases Solzhenitsyn's Harvard Address and endorses its charge: "I looked to your society for a model alternative to my own enslaved country. But America doesn't constitute such an ideal. You have an enormously free press, but an enslaved readership. Almost nothing is officially prohibited but you are dictated to by the fashions and deluded about the verities. Your people exhibit deadly signs of decadence. I am saddened by such things as the revolting invasion of privacy, by publicity, the TV stupor, and the intolerable music.

"You are being softened by inflated luxury and permitted lawlessness. No modern weapon, however powerful, can help you if you have lost national will power."

What has happened to this once great nation? Many an American is searching his soul, looking for just the sort of help this book offers.

Some readers may recall earlier articles by Mr. DeArmond. He won a Freedom's Foundation Award for "The Right to Choose" from the December 1961 *Freeman*.



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